



# A Better Way to Move Money

ANNUAL REPORT 2017

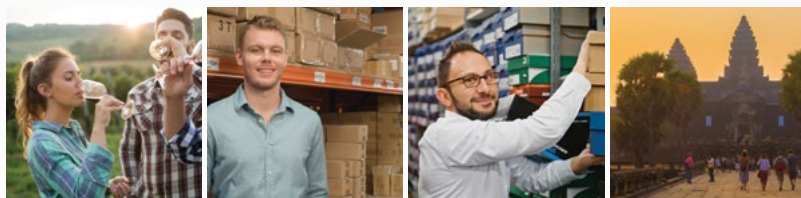


# CONTENTS

What We Do	02
Our Service	04
Our Opportunities and Focus	06
Our People	07
Our Values	07
Financial Highlights	08
Chairman's Letter	09
CEO's Letter	10
Executive Team	13
Directors' Report and Financial Report	15
Shareholder Information	73
Corporate Information	75



## Customer Stories



03

North South  
Wines

11

Zoratto  
Enterprises

12

Ruze Shoes

14

Vichet Duk



## ANNUAL GENERAL MEETING

2pm on 2 August 2017  
at Room III, Establishment Hotel,  
252 George Street, Sydney

OFX is changing the way the world moves money.

We offer fast international money transfers at highly competitive rates, for individuals and businesses.

We serve an ambitious globally orientated society from our six offices around the world.

NATURALLY,  
WE LOVE NUMBERS

**\$119BN**

in transfers

**3,380**

transfers made daily

**159**

bank accounts in our  
global network

**55**

currencies offered

**50**

different nationalities  
working together

**24/7**

thanks to our  
global network

# WHAT WE DO



**Founded in 1998**  
in Sydney



**Inspired by the concept**  
of 'giving customers a fair go'  
when it comes to international  
money transfers



**We send funds securely**  
through our proprietary  
bank-to-bank network



**'Follow the sun' customer service**  
offering with 24/7 phone support



**We are stable and well established –**  
we've handled in excess of \$119BN  
in transactions over 18 years



**Our diversified client base includes**  
wealthy individuals and retired  
couples, expats, companies selling  
across online marketplaces such as  
eBay and Amazon, and businesses  
importing and exporting goods  
internationally



**Customer Story****NORTH SOUTH WINES  
A VOLATILE VINTAGE**

**OFX offered a stronger exchange rate and all-round better service for foreign currency exchange.”**

Hamish Gillespie

Set up in 2014, North South Wines operates within a stone's throw of Heathrow Airport in London. The multi-channel wine importer is part-owned by three wineries, and provides distribution services for other international winery partners. As a direct supply distributor, the company is heavily involved in overseas trade and makes regular payments in foreign currencies.

Hamish Gillespie, Finance and Operations Director, explains why they cut ties with their bank: “OFX offered a stronger exchange rate and all-round better service for foreign currency exchange. They are extremely supportive of smaller companies, and their personalised approach ties in well with our own values.

Currency volatility is problematic in the wine trade. Producers set prices annually, by vintage, and retailers often print their price lists at the same time, months in advance of the wine's actual delivery. If exchange rates shift dramatically in the middle of this cycle, as they did after the EU referendum, that's a real problem. For us, having a strong FX partner has meant that we have the ability to use forward contracts and lock in rates, reducing our exposure to fluctuating rates.”

# OUR SERVICE

OFX provides international money transfers

OFX OPERATES  
AROUND THE WORLD



'Follow the sun' customer service

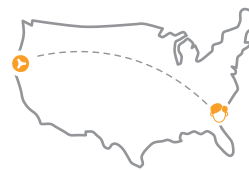
## MAKING INTERNATIONAL PAYMENTS A LOCAL EXPERIENCE



A client registers and makes a transfer through OFX.com



Funds are transferred from their bank account into an OFX bank account within the same country



OFX transfers funds from a local account in the destination country to the client's bank account

## OUR KEY POINTS OF DIFFERENCE



### 24 HOUR CUSTOMER SUPPORT

Our customer care operates 24/7



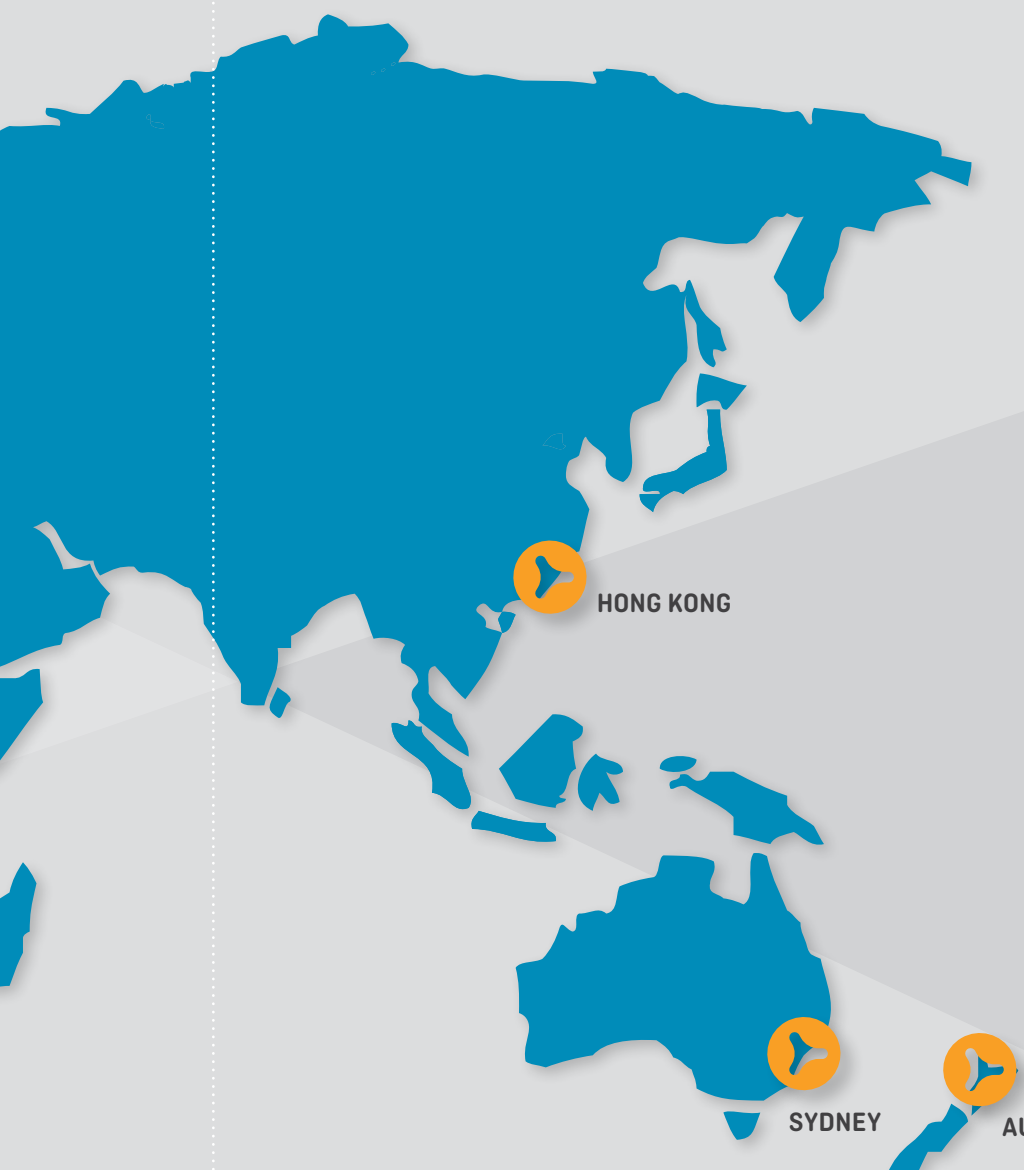
### GREAT RATES

Our rates are better than those of the banks



### RAPID DELIVERY

We move funds quickly, usually by the next business day



# OUR OPPORTUNITIES AND FOCUS

## CUSTOMERS

OFX is part of a huge global opportunity. We operate in a category where customers are simply paying too much for their international transfers – they just don't know it. Everything we do is driven by a desire to better serve our customers. From competitive rates, fast transfer speeds and high security to excellent customer service, we are focused on disrupting the traditional foreign exchange market to offer individuals and businesses a significantly better option.

### HOW OFX DELIVERS VALUE FOR CUSTOMERS



Our critical banking relationships mean that we can secure international transfers at significantly better rates than other providers.



We have sophisticated fraud detection systems in place to keep client money safe.



Our FX exposure is not purely peer to peer, meaning that we can remain trading through significant market events, e.g. Brexit.

## TECHNOLOGY

In October 2016, we completed a move to the Cloud with Amazon Web Services (AWS), which has improved our digital user experience and our ability to achieve scale, and furthermore strengthened our search engine optimisation performance. This transition has made our data more secure and enables us to easily scale our operations globally, without additional cost.

**The Cloud improves marketing cut through and delivers a range of technical efficiencies that translate into cost savings for the business.**

## MARKETING

Outstanding marketing lies at the heart of our growth, and the creation of a single global brand is designed to drive the efficiency and effectiveness of our brand activities. The rebranding is now complete in our core markets – the USA, the UK and Australia, and will be rolled out in our remaining markets by the end of FY18.

Our focus this year lies in continuing to build the OFX brand across geographies, products and channels. We will be improving our user experience through customer research projects, aimed at driving a deeper understanding of who is using our services, and how we can communicate better with them. This process will enable improvements to our customer journey and service model.



The move to one single global brand is designed to maximise the proficiency of our marketing operations. Ultimately, we will achieve stronger brand recognition across our international markets.



**Our workforce of around 300 employees across six offices is characterised by a commitment to high standards and a collaborative approach.**



## OUR PEOPLE

OFX is a young and disruptive company working to redefine the customer experience in international payments. We attract young, highly driven talent who appreciate the challenge we face and take pride in delivering on this opportunity.

Our open plan office spaces, flat management structure, and training and development programs ensure that we continue to attract and retain leading professionals. We embrace innovative techniques such as agile project management and use digital networking tools to stay quickly connected across teams.

Our workplace is one that embraces diversity in all its forms; over 60% of our senior leadership team globally is represented by women and our employees share the cultures of over 50 different nationalities. We also employ talent across a wide range of generations, from millennials to baby boomers.



## OUR VALUES



**Push boundaries**  
There's always a smarter way.  
Find it. Use it. Win.



**Get stuff done (GSD)**  
We are self starters  
and team finishers.



**Always keep learning**  
Grow your expertise.  
Share it freely.



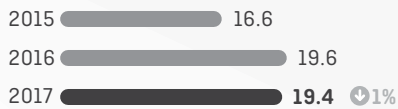
**We're better together**  
Understand intuitively,  
define articulately  
and solve jointly.



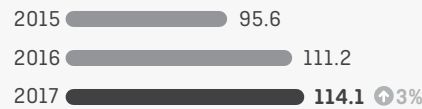
**Inspire customer confidence**  
Your commitment to  
them will earn their  
commitment to us.

# FINANCIAL HIGHLIGHTS

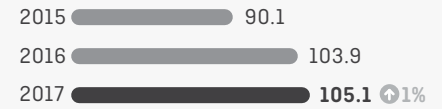
## TURNOVER (\$B)



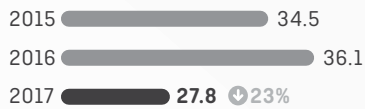
## FEE AND TRADING INCOME (\$M)



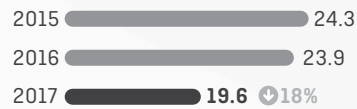
## NET OPERATING INCOME (\$M)



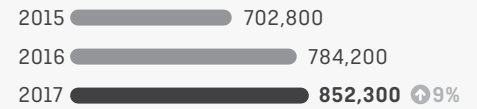
## UNDERLYING EBTDA (\$M)



## UNDERLYING NPAT\* (\$M)

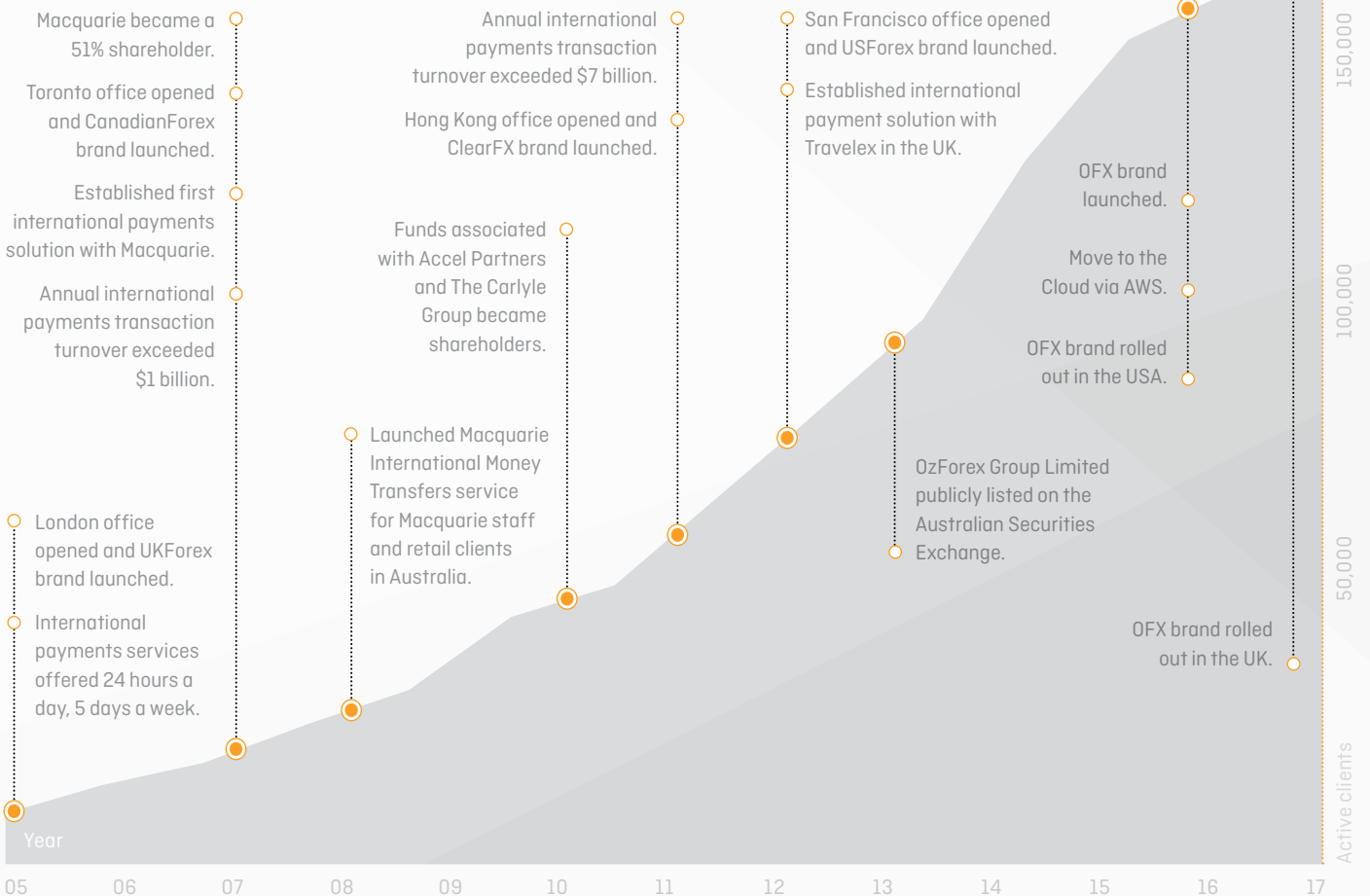


## TRANSACTIONS



\* Net Profit After Tax

**156,700**  
**ACTIVE CLIENTS**  
↑4%



# CHAIRMAN'S LETTER

Fellow Shareholders,

The past 12 months were a challenging period for OFX given the tough operating environment and considerable amount of change across the business. We are disappointed that we did not fully deliver on the commitments and performance standards we set for ourselves and for our shareholders.

Despite this, as set out in the CEO's letter, we made significant progress on several fronts. The global branding exercise to a single brand of 'OFX', the transition to hosting our platform on the Cloud and several technology enhancements have strengthened the Board's confidence in the future for OFX. The recent appointment of Skander Malcolm as CEO has also bolstered the Board's confidence that OFX can execute on its growth ambitions.

The Board continues to believe that we have excellent growth prospects. The market in which we operate is highly fragmented and is enormous. While data on the size of the total global foreign exchange market varies, it is broadly believed to be in the trillions of dollars and growing at double digit rates annually.

Commercial banks account for roughly 90% of the Australian market with money service businesses such as OFX sharing just 10% market share, although this is growing. OFX's competitive differentiation comes from our frictionless digital experience, our industry leading customer service, competitive pricing and our safe and secure technology.

This is not an easy industry for new entrants. The regulatory compliance hurdles are high. Over more than a decade, OFX has built out a large network of licences that positions it to operate in 55 currency corridors around the world (including being operational in 49 US states). When combined with the long-standing relationships we have with 15 global banks and our strong balance sheet, we believe OFX has a differentiated competitive position.

In the ever evolving payments landscape, the Board and I are very committed to ensure we remain relevant, bold, and at the forefront of ongoing industry change. In 2018, Skander and the Executive team will be focused on driving stronger, more disciplined execution as we exploit opportunities across our target geographies, products and customer segments.

However, taking advantage of opportunities takes a lot more than great execution. Value is created for customers, and therefore shareholders, by delivering terrific customer service. Our Net Promoter Score is 51 for Individuals and 56 for Corporates, industry leading figures. We will continue to build on this via:

- Investing in better understanding our customers wants and needs;
- Improving our technology capabilities to provide an enhanced digital experience;
- Understanding and complying with complex financial services regulations; and
- Maintaining strong and trusting relationships with our banking counterparties.

OFX is regarded as one of the leading international money transfer businesses in the world because we do these things well and have built a strong foundation over nearly two decades.

Going forward our goal is to deliver sustainable growth. We will invest in a thoughtful and disciplined way where it offers value for our customers and our shareholders.

In concluding, I would like to thank our people for their extraordinary efforts. While this past year has presented some significant challenges, we can look forward to the future with increasing optimism and confidence.



**Going forward our goal is to deliver sustainable growth. We will invest in a thoughtful and disciplined way where it offers value for our customers and our shareholders**

Steven Sargent  
Chairman

# CEO'S LETTER



## COMPETING TO WIN

OFX operates in a huge market. In 2017, we supported over 850,000 transactions – a huge amount for a small company, but still a small fraction of what's possible. We have grown from zero in less than 20 years by embracing the competitive drive required to grow and win. As we reflect on 2017, and look forward to 2018, this competitive drive will be central to our efforts. It comprises:

- Putting our customers at the heart of all our thinking: developing a deep understanding of their needs, using them to filter where to invest, and always trying to improve how we serve, so that on balance, our customers prefer OFX for great prices and great service, in this increasingly competitive market.
- Executing with discipline and focus. It's hard to compete and grow when our limited resources are spread very thinly or we have a lack of clarity on key milestones – we will be very thoughtful about what we do, but we will do it well.
- Investing selectively, always experimenting, but always with a view to generating a healthy financial return.
- Understanding and embracing our regulatory obligations. Being conversant on what needs to be done for our regulators is mandatory, but it isn't enough. Our teams need to have the mindset to do what's right for our customers, and when we see something that isn't right, or when it is brought to our attention, we must address it without delay.

Everything else required – great people, great technology, teamwork, clear thinking – will all be deployed against these principles. As your new CEO, you have my personal commitment, and all my energies, in helping OFX compete to win.

## 2017 - FINANCIAL PERFORMANCE

Financially we did deliver improvements:

- Fee and trading income grew by 3% to \$114.1 million, even as average transaction volumes declined due to weaknesses in some key currency corridors.
- NPAT came in on guidance at \$19.6 million, confirming that we are a profitable business.
- Transactions grew 9% and active clients grew 4%, confirming that we are being of more service to our existing customers each year.

## 2017 – WE MADE PROGRESS

In 2017, we executed a lot. Some of the highlights included:

- **Our rebrand.** We continued our journey to become a single brand globally. We completed the rebranding of the sites in our biggest geographies, and are now operating under the OFX brand in Australia, the US and the UK. The main benefit of this is that it has helped customers understand where to find us, particularly online, which is where they typically look.
- **Product delivery.** In FY17, we rebranded our OFX secure sites and added over 50 customer features to our existing products. The benefit of this has been two-fold: lower costs and a better customer experience.
- **Migrating to Amazon Web Services ['AWS'].** This has improved productivity, allowed us to scale up and down quickly in line with demand, and provided better security. Having these proficiencies matters to our customers. Along with our 'follow the sun' service capability, we were able to remain trading 24x7 through the highly volatile Brexit period when most of our competitors – including one major Australian bank – ceased supporting their customers.

## 2018 – OUR PRIORITIES

In 2018, we will be focused on the following areas:

1. Delivering earnings growth through strong operational and fiscal discipline.
2. Investing further in developing a deep understanding of prospect and customer behaviours, so as to improve our marketing efforts, and our existing customer experience. We will drive our acquisition marketing and sales efforts harder.
3. Delivering our technology programs on time, on budget, and on expectation – to continue improving both our customer on-boarding and employee experience.
4. Meeting all our regulatory obligations.
5. Identifying further growth opportunities.

## OUR CHALLENGES

We feel positive about our prospects for growth, but mindful of the challenges in execution. Specifically, there are two areas that the leadership team is very focused on: reducing poor execution that causes delays and/or added costs that we haven't budgeted for; and improving the customer experience.

Poor execution is within our control. We have implemented a tighter operating rhythm that focuses us on fewer but more important programs. The entire leadership team is committed to ensuring they are delivered well.

As I previously highlighted, serving customers is at the heart of our success, and will continue to be. By developing a deeper insight program that gives us richer and earlier views into what matters to customers the most, which, when linked with early actions, will ensure we remain customer-led.

We are a young company, and customer needs, as well as the means to serve them, is evolving rapidly. We are investing in a number of experiments that will help us learn quickly – what to do more of, and when to move on to the next idea.

We can never be enough of a learning company, but through investment and visibility, we will be agile and give ourselves the best chance to see and capitalise on trends as they emerge.

### WHY I AM OPTIMISTIC

In joining OFX I am struck by our significant opportunity. We operate in a huge market, and are just getting started. We have over 18 years' experience on what customers prefer, and how to deliver it. We are global, but we support customers in their local context. Our teams and individuals are high calibre, and want to compete and win.

Our Board see the opportunities, and support our ambition. Our core product is simple, and we can make it better by continuing to innovate. Our technology allows us to scale at reasonable cost. It's a great time to join OFX. Thank you for your support, and your Executive team and I look forward to delivering a good 2018.



John Alexander Malcolm  
Chief Executive Officer  
and Managing Director



### Customer Story

## AN AUSTRALIAN FAMILY BUSINESS WITH A RECIPE FOR SUCCESS

Established in 1966, Zoratto Enterprises is a third-generation family owned business specialising in the wholesale of quality kitchenware and baking supplies. Based out of Mount Kuring-Gai in New South Wales, the company imports products from all over the world. Operations Manager and Owner Andrew Zoratto explains; "Partnering with OFX allows us to save around two to three cents per dollar on foreign exchange payments. We spend millions of dollars with suppliers every year, so it's nice to know that the money is going back into the business, rather than to the banks. The Aussie dollar has been extremely volatile, so we now pay all our invoices in US dollars using forward contracts. This allows us to lock in good rates and mitigate risk."

“  
Importing products to Australia from all over the world means that we need an international payments partner that can help us mitigate risk, particularly as the Australian dollar has been so volatile.”



Andrew Zoratto  
Zoratto Enterprises



## Customer Story

### THE HEART AND SOLE OF INTERNATIONAL E-COMMERCE

Ruze Shoes is a leading internet retailer based in Southern California, specialising in men's shoes. The business started as a bricks and mortar retail venture at the Santa Anita Mall in Arcadia, California. Market changes led to a decision to move predominantly online, where it began selling on a global level.

Now a strong e-commerce website with a presence across over 20 different online marketplaces, including eBay and Amazon, Ruze Shoes partners with OFX to administer its growing raft of international payments. Getting customers' funds back to the US safely and quickly are key considerations for the business, along with the speed and efficiency of the transfer.

Victor Yameen, CEO, Ruze Shoes commented; "I came across OFX while attending the Internet Retailer Conference last year, and was surprised to find that they could assist us with many aspects of international e-commerce that were holding us back. Now, with OFX, we have a streamlined process for funds to come through regularly and without a lot of attention from our side. It's reliable. We're saving money without investing additional time – a perfect scenario."



Victor Yameen, CEO  
Ruze Shoes

**OFX administers Ruze Shoes' growing raft of international payments, creating a simple, streamlined process that saves time and money – essential when the company trades on over 20 online marketplaces, including Amazon and eBay.**

# EXECUTIVE TEAM



From left to right: Adam Smith, Rebecca Shears, Skander Malcolm, Craige Pendleton-Browne and Kirsten Pollard

## SKANDER MALCOLM

### Chief Executive Officer and Managing Director

Skander Malcolm joined OFX in February 2017 as CEO.

He has more than 23 years' experience in financial services including payments technology platforms in both established and emerging markets. As President and CEO of GE Capital (ANZ), he led a team of more than 4,500 employees with an emphasis on delivering sustainable growth and operational excellence. While in the UK, Skander Malcolm launched the country's first and largest digital personal loan business, Hamilton Direct Bank, which grew to more than GBP3 billion in its first five years. While at GE, he also facilitated GE's largest ever volunteer donation to OzHarvest and bolstered participation in employee volunteering by 40%.

He holds a Bachelor of Economics from University of Sydney and was selected by the Chairman for GE's most senior Executive Development Program.

## CRAIGE PENDLETON-BROWNE

### Chief Technology Officer

Craige Pendleton-Browne is Chief Technology Officer and commenced his role in November 2015.

Craige has more than 20 years' experience in technology roles with over 15 years of those working in digital. He has worked as CTO in both the UK and Australia. His most recent roles include CTO for News Digital Media, Head of Content and Digital for News Corp Australia and CTO of iCareHealth, Australia's leading provider of residential aged care software. Craige has extensive experience in creating the technology vision and strategy as well as a proven ability to execute and deliver.

He has a BSC in Computer Science as well as an MBA from London Business School.

## REBECCA SHEARS

### Chief Marketing Officer

Rebecca Shears commenced her role as Chief Marketing Officer at OFX in August 2016.

Rebecca has more than 20 years' experience in marketing roles both in the UK and Australia. She started her career at Unilever and has since held positions at British Telecom, Telstra and T-Mobile. Her most recent role was Head of Marketing for the UK and Ireland at HP Inc. focusing on increasing brand consideration, market share and driving digital transformation for its e-commerce business across Europe.

Rebecca graduated from Nottingham Trent University, where she studied Business and Commerce and gained the Chartered Institute of Marketing Postgraduate Diploma.

## ADAM SMITH

### Chief Operating Officer

Adam Smith commenced his role as Chief Operating Officer at OFX in October 2015.

Adam has more than 20 years of experience in top tier financial institutions, most recently as Co-Head of ANZ ETFS. Prior to his current role, Adam has held a number of commercial and operational positions within ANZ Global Markets, Macquarie Group and Deutsche Bank. Adam combines a strong background in financial markets products with an extensive knowledge of business support functions such as product development, technology, operations, risk and finance.

Adam has a Bachelor of Economics from the University of Sydney and a Master of Business (Finance) from the University of Technology (Sydney).

## KIRSTEN POLLARD

### Chief People and Culture Officer

Kirsten Pollard began working with OFX in November 2014 and commenced her role as Head of People and Culture in September 2015.

Prior to joining OFX, Kirsten had a 10-year career in global equities at Merrill Lynch and four years in a profitable start-up business.

She has a Bachelor of Commerce from the University of Western Australia and has attended an Executive Education program at the Harvard Business School.

At the time of going to print, our Chief Financial Officer and Chief Risk Officer roles are vacant and candidates are presently being recruited.



### Customer Story

## VICHET DUK SUPPORTING MY SISTER IN CAMBODIA

When Vichet Duk emigrated to Australia eight years ago to pursue a career in engineering, he vowed to financially support his younger sister Seila back home in Cambodia. She had always had her heart set on medical school and Vichet promised to help make her dream come true. Vichet had previously tried bank transfers, but was left disappointed by the exchange rates and hassle of the process. In the search for an alternative, Vichet came across OFX and discovered a more convenient way to transfer money to his sister.

"I decided to start small and just transfer a limited amount to begin with to see how it went," Vichet explains. "My fears were quickly alleviated when the test money got to my sister's account in record time, with minimal effort and great rates. On top of that, the customer service was fantastic, with an OFX representative calling me shortly after to make sure that I understood the process and that everything had gone well."

"My sister still has another year left at medical school so I will be continuing to use OFX to support her through these studies. The whole experience has been so uncomplicated, reliable and quick. My money is secure, it's transferred at the best rates available, and it's a service I'll continue to use even after my sister has graduated as a doctor."

Vichet found the experience so advantageous that he has opted to make all future transactions to Cambodia with OFX, including paying for a plot of land in Siem Reap. "In 2013, I purchased some land in Cambodia which I eventually intend to build a house on. I had initially planned to use my bank to send the three instalments across, but after my experiences with Seila's transfers, I instead chose to use OFX. This was fortunate, as I saved about 3% per transaction – funds which can now go towards the house" said Vichet.



**When transferring funds from Australia to Cambodia, I found that funds reached my sister's account in record time, with minimal effort and great rates. The OFX customer service is also fantastic."**

Vichet Duk







# DIRECTORS' REPORT AND FINANCIAL REPORT

<b>Directors' Report</b>	<b>16</b>
<b>Remuneration Report</b>	<b>24</b>
<b>Auditor's Independence Declaration</b>	<b>40</b>
<b>Financial Statements</b>	<b>41</b>
Consolidated Statement of Comprehensive Income	41
Consolidated Statement of Financial Position	42
Consolidated Statement of Changes in Equity	43
Consolidated Statement of Cash Flows	44
<b>Notes to the Financial Statements</b>	<b>45</b>
About This Report	45
Segment Information	46
Results for the Year	48
Financial Assets and Liabilities	52
Other Assets and Liabilities	58
Capital Structure	61
Other Items	62
<b>Directors' Declaration</b>	<b>67</b>
<b>Independent Auditor's Report to the Members of OFX Group Limited</b>	<b>68</b>
<b>Shareholder Information</b>	<b>73</b>
<b>Corporate Information</b>	<b>75</b>

## DIRECTORS' REPORT

For the year ended 31 March 2017



Board of Directors' left to right:  
Douglas Snedden,  
Steven Sargent, Skander Malcolm,  
Melinda Conrad and Grant Murdoch

The Directors of OFX Group Limited (OFX, the Company), submit their report (including the Remuneration Report), Statement of Comprehensive Income and Statement of Cash Flows for the year ended 31 March 2017 and the Statement of Financial Position as at 31 March 2017 of the Company and its subsidiaries (the Consolidated Entity, the Group), the auditor's report, and report as follows:

### DIRECTORS

The Directors of the Company as at 31 March 2017 and at any time during or since the end of the financial year are:

#### STEVEN SARGENT

##### CHAIRMAN – BBUS, FAICD, FAATSE

Member of the Audit, Risk and Compliance Committee and Remuneration and Nomination Committee

Age: 57 years

Appointed: 4 August 2016

Independent director

Residence: Sydney, Australia

Steven joined OFX Group Limited in August 2016 and has over 36 years of global corporate experience in industries including banking, financial services, mining and energy. Steven's prior professional experience includes 14 years at Westpac, followed by various positions at GE Capital, including President and CEO GE Capital Australia and NZ, and President and CEO GE Capital Asia Pacific. Steven was appointed Vice President and Officer of General Electric Company in 2008 and was a member of GE's Corporate Executive Council, the first Australian to ever be appointed to such positions in GE's history.

#### Current directorships

**Director:** Origin Energy Limited; Nanosonics Limited; The Great Barrier Reef Foundation; Chair of the Origin Foundation.

**Other:** Fellow of the Australian Academy of Technological Sciences and Engineering and a Fellow of the Australian Institute of Company Directors.

**Interest in shares:** 100,000 ordinary shares

#### JOHN ALEXANDER (‘SKANDER’) MALCOLM

##### CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR – BECOM

Age: 48 years

Appointed: 1 February 2017

Not independent

Residence: Sydney, Australia

Skander was appointed Chief Executive Officer and Managing Director on 1 February 2017. Skander has over 23 years' experience in the financial services sector in Australia, the United Kingdom and United States including 10 years with GE Capital. Prior to joining OFX, Skander was

President and CEO of GE Healthcare's Eastern Europe and African Growth Markets since 2013. Prior to joining GE Capital, Skander held several senior leadership roles at Household International in the UK, now part of HSBC, and Westpac Bank.

#### Current directorships

Nil

Interest in shares: Nil

#### MELINDA CONRAD

##### NON-EXECUTIVE DIRECTOR – MBA (HARVARD), FAICD

Chair of the Remuneration and Nomination Committee and Member of the Audit, Risk and Compliance Committee

Age: 48 years

Appointed: 19 September 2013

Independent director

Residence: Sydney, Australia

Melinda joined the OFX Group in September 2013 and has over 20 years' experience in business strategy and marketing. Melinda's prior professional experience includes executive

roles at Harvard Business School, Colgate-Palmolive, and several retail businesses. Melinda was previously a director of APN News & Media Limited and David Jones Limited.

#### *Current directorships*

**Director:** ASX Limited, Caltex Australia Limited, The Reject Shop Limited, the George Institute for Global Health, the Centre for Independent Studies.

**Other:** Fellow of the Australian Institute of Company Directors; member of the Australian Institute of Company Directors Corporate Governance Committee.

**Interest in shares:** 100,000 ordinary shares

#### **GRANT MURDOCH**

##### **NON-EXECUTIVE DIRECTOR – MCOM (HONS), FAICD, FICAA**

**Chair of the Audit, Risk and Compliance Committee**

**Appointed:** 19 September 2013

**Age:** 65 years

**Independent director**

**Residence:** Brisbane, Australia

Grant joined the OFX Group in September 2013 and has over 35 years' experience in accounting and corporate finance. Grant's prior professional experience includes Head of Corporate Finance for Ernst & Young Queensland and he is a graduate of the Kellogg Advanced Executive Program at the North Western University, Chicago, United States.

#### *Current directorships*

**Director:** ALS Limited; QIC Limited; Redbubble Limited, UQ Holdings Limited.

**Other:** Senator of the University of Queensland; Adjunct Professor School of Business, Economics and Law at the University of Queensland; member of Queensland State Council of Australian Institute of Company Directors.

**Interest in shares:** 245,000 ordinary shares

#### **DOUGLAS SNEDDEN**

##### **NON-EXECUTIVE DIRECTOR – BEC, MAICD**

**Member of the Remuneration and Nomination Committee and Member of the Audit, Risk and Compliance Committee**

**Age:** 59 years

**Appointed:** 16 March 2015

**Independent director**

**Residence:** Sydney, Australia

Doug joined the OFX Group in March 2015 and has over 30 years' experience in

finance, consulting, strategic management and outsourcing. Doug has previously worked as Country Managing Director of Accenture Australia.

#### *Current directorships*

**Director:** Odyssey House McGrath Foundation; Chris O'Brien Lifehouse.

**Other:** Member of the Australian Institute of Company Directors.

**Interest in shares:** 100,000 ordinary shares

#### **PETER WARNE**

##### **FORMER CHAIRMAN – BA, FAICD**

**Member of the Audit, Risk and Compliance Committee and Remuneration and Nomination Committee**

**Age:** 61 years

**Appointed:** 19 September 2013

**Ceased:** 14 November 2016

**Independent director**

**Residence:** Sydney, Australia

Peter joined the OFX Group in September 2013 and has over 30 years' experience in accounting and finance. Peter's prior professional experience includes 12 years as Head of Bankers Trust Australia Limited's Financial Markets Group.

#### **RICHARD KIMBER**

##### **FORMER CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR – BSC, MBA (MACQUARIE)**

**Age:** 48 years

**Appointed:** 1 June 2015

**Ceased:** 31 January 2017

**Not independent**

**Residence:** Sydney, Australia

Richard was appointed Chief Executive Officer and Managing Director on 1 June 2015. Richard has 25 years of diverse global leadership experience that has included several chief executive and board roles in the banking and technology sectors and has extensive experience in financial services, marketing, social media and capital markets.

**Interest in shares as at 31 January 2017:** 80,229 Performance Rights; 205,193 Options; 433,218 ordinary shares in the OFX Group Limited Executive Share Plan and 21,000 ordinary shares indirectly held.



## DIRECTORS' REPORT CONTINUED

For the year ended 31 March 2017

### 1. STATE OF AFFAIRS AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the Directors' opinion there have been no significant changes in the state of affairs of the Group during the year. A further review of matters affecting the Group's state of affairs is contained on pages 19 and 20 in the Operating and Financial Review.

### 2. STATUTORY AND UNDERLYING INFORMATION

As required for statutory reporting purposes, the consolidated financial statements of the Consolidated Entity have been presented for the financial year ended 31 March 2017.

The Group's statutory financial information for the year ended 31 March 2017 and for the comparative year ended 31 March 2016 present the Group's performance in compliance with statutory reporting obligations.

To assist shareholders and other stakeholders in their understanding of the Group's financial information as a publicly listed entity, additional underlying financial information for the years ended 31 March 2017 and 31 March 2016 are provided in the Operating and Financial Review section of this Report.

A reconciliation of the Company's statutory and underlying financial information is included on page 20.

The reconciliation and the underlying information have not been audited.

### 3. DIRECTORS

The following persons were Directors of the Group either during the year or as at 31 March 2017:

Steven Sargent <sup>1</sup>	Chairman
Peter Warne <sup>2</sup>	Chairman
Skander Malcolm <sup>3</sup>	Managing Director and Chief Executive Officer (CEO)
Richard Kimber <sup>4</sup>	Managing Director and Chief Executive Officer (CEO)
Melinda Conrad	Non-Executive Director
Grant Murdoch	Non-Executive Director
Douglas Snedden	Non-Executive Director

1 Steven Sargent was appointed as a Director on 4 August 2016 and was appointed as Non-Executive Chairman on 14 November 2016.

2 Peter Warne ceased to be a Director and Non-Executive Chairman on 14 November 2016.

3 Skander Malcolm was appointed as a Director on 1 February 2017.

4 Richard Kimber ceased to be Director on 31 January 2017.

The background, qualifications and experience of each of the Directors as at the date of this Report are included on pages 16 and 17.

### 4. COMPANY SECRETARY

Freya Smith is the Group General Counsel and Company Secretary for OFX Group Limited. Freya was appointed as Company Secretary on 11 October 2016. Freya has over 10 years' experience in legal practice and governance. Freya holds a Bachelor of Commerce and a Bachelor of Laws (Honours); a Master of Laws (High Distinction); and a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia. Freya is admitted in the High Court of Australia, the Federal Court of Australia and the Supreme Court of New South Wales and is a member of the Association of Corporate Counsel and an Associate of the Governance Institute of Australia. Freya is also currently a Non-Executive Director and Chairman elect of the Sydney Fringe Festival.

### 5. DIRECTORS' MEETINGS

The following table shows meetings held between 1 April 2016 and 31 March 2017 and the number attended by each Director or Committee member.

Director	Board		Audit, Risk and Compliance Committee		Remuneration and Nomination Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
S Sargent	18	18	3	3	3	3
P Warne	14	11	4	4	5	5
S Malcolm <sup>1</sup>	3	3	1	1	2	2
R Kimber <sup>1</sup>	19	19	4	4	5	5
M Conrad	23	23	5	5	7	7
G Murdoch <sup>2</sup>	23	21	5	5	7	7
D Snedden	23	20	5	5	7	6

1 Mr Kimber and Mr Malcolm attended the Audit, Risk and Compliance Committee and the Remuneration and Nomination Committee meetings at the invitation of the Committees.

2 Mr Murdoch attended the Remuneration and Nomination Committee meetings at the invitation of the Committee.

## 6. DIRECTORS' INTERESTS

The relevant interest of each Director in the equity of the Company as at the date of this Report is outlined in the table below. All interests are ordinary shares unless otherwise stated.

	Type	Opening balance	Acquisition	Disposals/forfeit	Closing balance
S Sargent	ordinary	–	100,000	–	100,000
S Malcolm	ordinary	–	–	–	–
M Conrad	ordinary	100,000	–	–	100,000
G Murdoch	ordinary	145,000	100,000	–	245,000
D Snedden	ordinary	39,000	61,000	–	100,000

There were no disposals of shares by the Directors during the year or share transactions post year end.

## 7. PRINCIPAL ACTIVITIES

The Group's principal activity during the year was the provision of international payments and foreign exchange services.

## 8. DIVIDENDS AND DISTRIBUTIONS

Dividends paid or declared by the Company during and since the end of the year are set out in Note 20 and Note 21 to the Financial Statements respectively.

	Final 2017	Interim 2017	Final 2016
Per share (cents)	2.90	2.80	3.10
Total amount (\$'000)	7,016	6,817	7,440
Franked <sup>1</sup>	100%	100%	100%
Payment date	23 June 2017	4 January 2017	24 June 2016

<sup>1</sup> All dividends are fully franked based on tax paid at 30%.

## 9. OPERATING AND FINANCIAL REVIEW

A summary of financial results for the years ended 31 March is outlined below:

	2017 \$'000	2016 \$'000	Growth %
Net operating income	105,115	103,913	1.2
Underlying EBITDA <sup>1</sup>	26,583	34,453	(22.8)
Underlying EBITDA margin <sup>2</sup>	25.3%	33.2%	
Underlying net profit (after tax) <sup>3</sup>	19,596	23,889	(18.0)
Underlying earnings per share (EPS) (cents) <sup>4</sup>	8.17	9.95	
Statutory EBITDA <sup>2</sup>	26,583	31,488	(15.6)
Statutory EBITDA margin <sup>3</sup>	25.3%	30.3%	
Statutory net profit (after tax)	19,596	21,814	(10.2)
Earnings per share (cents)	8.17	9.09	

<sup>1</sup> Earnings before interest, tax, depreciation and amortisation (EBITDA) is a non International Financial Reporting Standards (IFRS) measure that is unaudited.

<sup>2</sup> EBITDA margins are calculated with reference to net operating income.

<sup>3</sup> Underlying net profit (after tax) (NPAT) is net profit after tax adjusted for one-time expenses. Refer to the NPAT reconciliation on page 20.

<sup>4</sup> Underlying earnings per share was calculated with reference to underlying net profit after tax.

**DIRECTORS' REPORT CONTINUED**

For the year ended 31 March 2017

**9. OPERATING AND FINANCIAL REVIEW CONTINUED**

Higher active client numbers with an increased propensity to deal was offset by a depressed average transaction value (ATV) per client in the wake of Brexit and uncertainty in global markets throughout the year. Net operating income increased slightly by 1.2% to \$105.1 million. During the year, sustained and significant investment was made in the Group's core business processes, human capital, infrastructure, the continuing roll-out of the rebranding to OFX and an Executive Team restructure, resulting in statutory net profit after tax (NPAT) decreasing by 10.2% to \$19.6 million.

Whilst Australia and New Zealand (ANZ) continued as the largest contributor to fee and trading income for the Group, North America became the second largest contributor ahead of Europe. Australia and New Zealand and North America experienced growth of 3.0% and 13.6% respectively. Europe was impacted adversely by Brexit, with fee and trading income decreasing 5.1% from 31 March 2016. However, the underlying fundamentals of the European business are strong, with transaction volumes growing 9.7% in FY17. Together, ANZ and North America provide the majority of the Group's fee and trading income, delivering 71.8% of the Group total, increasing from 69.8% for the year ended 31 March 2016. This increase demonstrated the strong growth being achieved in the Group's core strategic growth market, North America.

In North America, there are operations in Canada and the US. As at 31 March 2017, the Group was able to operate in 49 of the states in the United States of America and has been continuing to develop its presence in North America, utilising search engine marketing, social media and customer advocacy in order to gain brand awareness. The US customers of the North American segment have, in the main, been with the Group less than four years; however, the existing customer base is becoming more significant. This growth has enabled the Group to grow fee and trading income by 13.6% to \$20.0 million. North America's contribution to the Group's fee and trading income increased from 15.8% in the year ended 31 March 2016 to 17.5% in the year ended 31 March 2017.

Hong Kong remained the Group's key Asian focus during the year. The segment experienced 17.3% growth in fee and trading income to \$2.5 million. Hong Kong is typified by a banking marketplace that offers significantly lower retail margins than in other geographies.

The International Payment Solutions (IPS) division (Wholesale division) maintained the Group's existing branded partnership solutions for Macquarie Bank, ING and MoneyGram in Australia and New Zealand, as well as the Group's global partner Travelex. The IPS division's fee and trading income decreased by 6.7% to \$9.9 million due to the legacy impact of closure of the OzForex 'branded' prepaid Travel Card in November 2015.

On 10 October 2015, OzForex Limited, a subsidiary of the Group, was declared an Offshore Banking Unit (OBU). As a result, income which is deemed to be earned by the OBU is taxable at a reduced rate of 10%. The effective tax rate for the year ending 31 March 2017 reflects 18 months of OBU transactions at the concessional tax rate of 10%. This, together with a research and development tax credit resulted in an effective tax rate of 18% for the Group.

	2017 \$'000	2016 \$'000	Growth %
<b>Underlying NPAT</b>	19,596	23,889	(18.0)
Corporate action costs after tax	-	(827)	
Rebranding expenditure after tax	-	(506)	
Executive Team restructure costs after tax	-	(742)	
<b>Statutory NPAT</b>	19,596	21,814	(10.2)

EBITDA is a non-IFRS unaudited measure that is calculated by adding back interest income tax, depreciation and amortisation. The reconciliation is outlined below:

<b>Underlying EBITDA</b>	26,583	34,453	(22.8)
Corporate action costs before tax	-	(1,182)	
Rebranding expenditure before tax	-	(723)	
Executive Team restructure costs before tax	-	(1,060)	
<b>Statutory EBITDA</b>	26,583	31,488	(15.6)
Add back interest income	1,169	1,662	(29.7)
<b>Earnings before tax, depreciation and amortisation (EBTDA)<sup>1</sup></b>	27,752	33,150	(16.3)
Less income tax expense	(4,391)	(9,979)	56.0
Less depreciation and amortisation	(3,765)	(1,357)	(177.5)
<b>Statutory NPAT</b>	19,596	21,814	(10.2)

<sup>1</sup> The Group actively uses its cash balances as part of its hedging strategy, making the interest income integral to its earnings. For this reason, the Group regularly uses EBTDA as a measure of performance, along with EBITDA.

The Group's financial position remains strong. The balance sheet consists predominantly of cash and client liabilities. The cash position net of client liabilities increased to \$42.6 million from \$38.1 million. The Group currently has no external debt.

	2017 \$'000	2016 \$'000	Growth %
Cash and cash equivalents <sup>1,2</sup>	148,459	142,088	4.5
Deposits due from financial institutions	10,114	20,802	(51.4)
Client liabilities <sup>1</sup>	(115,924)	(124,827)	7.1
<b>Net cash position</b>	<b>42,649</b>	<b>38,063</b>	<b>12.0</b>

1 Cash and client liabilities can vary greatly depending on the timing of deal flows.

2 Cash and cash equivalents includes cash held for subsequent settlement of client liabilities.

The financial position provides a good platform to pursue future growth opportunities.

## 10. STRATEGY

Our strategy remains simple: deliver a competitively priced and well supported product in the markets in which we operate. Our team will be focused on the few but critical initiatives that will help us grow: grow our acquisition marketing and sales, improve our service delivery, especially in on-boarding, and continue to improve our technology platform to drive a better customer experience, lower cost, and enhanced security for our customers and shareholders.

## 11. OPERATIONAL HIGHLIGHTS

- Moved our technology production environment to the Cloud hosted by Amazon Web Services (AWS);
- Introduced over 50 new customer-facing features, which doubled our velocity of features delivered over the last 12 months;
- Introduced an improved registration form that simplifies sign-up for consumers;
- Improved reliability and uptime of our website;
- Improved our software release process to improve uptime on our websites during our deployments (new versions can be released without taking our existing site down);
- Implemented additional fraud technology solutions to detect and prevent fraudulent use of the OFX platform in an automated scalable manner; and
- Obtained additional US money transmitter licences in the states of Hawaii, New Hampshire and Ohio. OFX licensing footprint in the US now covers the entire country with the exception of Nevada.

## 12. RISK

The potential risks associated with the Group's business are outlined below. This is not a list of every risk that may be associated with the Group, and the occurrence or consequences of some of the risks described are partially or completely outside the control of the Group, its Directors and senior management. There is also no guarantee or assurance that the risks will not change or that other risks will not emerge.

- **Competition** – A substantial increase in competition could result in the Group's services becoming less attractive to consumer or business clients and partner companies; require the Group to increase its marketing or capital expenditure; or require the Group to lower its spreads or alter other aspects of its business model to remain competitive. The Group continues to invest in product innovation, marketing efforts and monitoring of competition to ensure that it is able to respond to such challenges.
- **Relationships with banking counterparties** – The Group relies on banks to conduct its business, particularly to provide its network of local and global bank accounts and act as counterparties in the management of foreign exchange and interest rate risk. There is a risk that one or more of these banks may cease to deal with the Group (which may occur on short notice), cease to deal with international payments services generally, substantially reduce the services it offers, substantially alter the terms on which it is willing to offer services to the Group, exit one or more of the markets for which the Group uses its services, or collapse. This has occurred in the past and may occur again in the future. The Group manages this risk by having a suite of banking service providers to ensure that there is redundancy in its banking relationships to operate effectively.
- **Regulatory compliance** – The international payments market is a highly regulated area of economic activity. The Group devotes significant resources to comply with applicable regulations. However, there is a risk that any new or changed regulations could require the Group to increase its spending on regulatory compliance and/or change its business practices, which could adversely affect the Group's profitability. There is a risk that such regulations could also make it uneconomic for the Group to continue to operate in places where it currently does business. In addition, there is a risk that evidence of a serious failure to comply with laws may result in severe penalties, including being forced to cease doing business as a result of a revocation or cancellation of one or more of the Group's regulatory licences or authorisations.
- **Information technology (IT)** – The Group's business operations rely on IT infrastructure and systems. Any interruptions to these operations could impair the Group's ability to operate its customer-facing websites, which could have a negative impact on performance. The Group has a number of operational processes and disaster risk recovery plans in place to mitigate this risk.

## DIRECTORS' REPORT CONTINUED

For the year ended 31 March 2017

### 12. RISK CONTINUED

- **Data security** – Through the ordinary course of business, the Group collects a wide range of personal and financial data from clients. The Group takes measures to protect this data; however, there is a risk that a cyber-attack may result in data being compromised, resulting in loss of information integrity, breaches of the Group's obligations under applicable laws or client agreements and website and system outages, each of which may potentially have a material adverse impact on the Group's reputation and financial performance.
- **Fraud** – There is a risk that, if the Group's services are used to transfer money in connection with a fraud or theft, the Group may be required to take steps to recover the funds involved and may in certain circumstances be liable to repay amounts that it accepted for transfer, even after it has made the corresponding international payment. For example, when the Group accepts payment by direct debit, it may ultimately be held liable for the unauthorised use of bank account details in an illegal activity and be required to refund the transaction. If the rate of refunds becomes excessive, banks and card associations also may require the Group to pay additional penalties. The Group has a range of fraud prevention controls in place to mitigate this risk.
- **Foreign exchange rate fluctuations** – The Group may be affected by a change in the value of currencies, in particular a strengthening of the Australian dollar, which may impact both transaction turnover and reported earnings. The Group continues to increase its geographic footprint and therefore the diversity of its currency flows in order to mitigate the impact of any one currency's fluctuation.

### 13. OUTLOOK

Our outlook remains positive. We can drive consistent earnings growth by:

- Strong focus on a critical few initiatives that drive customer and shareholder value;
- Building a deeper understanding of what drives customer and prospect preferences, and translating this knowledge into action; and
- Executing our technology roadmap quickly but rigorously so that we can serve at a lower cost and in a better way – more agile, more secure, and more sensitive to the needs of our different customers around the world.

We have a strong balance sheet, a good track record of service delivery, an experienced and ambitious team, and a clear mandate from our Board and our shareholders to be a growth company.

### 14. EVENTS SUBSEQUENT TO BALANCE DATE

As at the date of this Report, the Directors are not aware of any circumstance that has arisen since 31 March 2017 that has significantly affected, or may significantly affect the Group's operations in future financial years, the results of those operations in future financial years, or the Group's state of affairs in future financial years.

### 15. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

While the impacts of foreign exchange market conditions make accurate forecasting challenging, it is currently expected that the combined net profit for the financial year ending 31 March 2018 will be up on the financial year ended 31 March 2017.

The key growth driver for the business is the number of active clients (the number of clients who have transacted at least once in the prior 12 months). The growth in active clients for the financial year ended 31 March 2017 was 3.7% to 156,700.

Continued growth in the existing client base of the North American segment is anticipated to become a more significant portion of the segment's active clients. This will help to drive further profitability in the North American market, and build on the segment's increased contribution to the Group's profit for the financial year ended 31 March 2017.

Europe is a more competitive market, and growth in active clients in this region is expected to be more challenging. Given the regional impact of Brexit on ATV and profitability, subject to consistent currency exchange rates, contribution in Europe is expected to slightly decrease in the financial year ending 31 March 2018.

The Australia and New Zealand segment is expected to continue to be the largest single contributor to the net profit of the Group. The growth in contribution, assuming a constant Australian dollar exchange rate, is expected to be in line with the growth in active clients.

Accordingly, the Group's result for the financial year ending 31 March 2018 is expected to be up on the result in the financial year ended 31 March 2017, with the potential for a better result if market conditions globally and, more specifically, in the UK improve, and the Group's continued investment in human capital, processes, infrastructure and marketing is more successful than anticipated.

The Group's short-term outlook remains subject to the range of challenges outlined in the risks on page 21, including market conditions, the impact of volatility in the foreign exchange markets, the cost of its customer acquisition through online channels, potential regulatory changes and tax uncertainties.

OFX is well positioned to deliver continued growth in the short to medium term.



## 16. INSURANCE AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Directors of the Company and such other officers as the Directors determine are entitled to receive the benefit of an indemnity contained in the Constitution of the Company, to the extent allowed by the *Corporations Act 2001*.

The Company has entered into a standard form deed of indemnity, insurance and access with the Non-Executive Directors against liabilities they may incur in the performance of their duties as Directors of the Company, to the extent permitted by the *Corporations Act 2001*. The indemnity operates only to the extent that the loss or liability is not covered by insurance.

During the year, the Company has paid premiums in respect of contracts insuring the Directors and Officers of the Company against liability incurred in that capacity to the extent allowed by the *Corporations Act 2001*. The terms of the policies prohibit disclosure of the details of the liability and premium paid.

## 17. NO OFFICERS ARE FORMER AUDITORS

No officer of the Consolidated Entity has been a partner of an audit firm or a Director of an audit company that is the auditor of the Company and the Consolidated Entity for the financial year.

## 18. NON-AUDIT SERVICES

The Company may decide to employ the external auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

The Audit, Risk and Compliance Committee is required to pre-approve all audit and non-audit services provided by the external auditor. The Committee is not permitted to approve the engagement of the auditor for any non-audit services that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit, Risk and Compliance Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit, Risk and Compliance Committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risk or rewards.

During the year, the following fees were paid or payable for non-audit services provided by the external auditor (PWC) of the Company to its related practices and non-related audit firms:

	2017 \$'000	2016 \$'000
Taxation services	135	148
Due diligence services	–	30
Other professional services	56	–
<b>Total remuneration for non-audit services</b>	<b>191</b>	<b>178</b>

## 19. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the year ended 31 March 2017 is on page 40 of this Report.

## 20. CHIEF EXECUTIVE OFFICER/CHIEF FINANCIAL OFFICER DECLARATION

The Chief Executive Officer and the Chief Financial Officer function have given the declarations to the Board concerning the Group's Financial Statements and other matters as required under section 295A of the *Corporations Act 2001*.

## 21. ROUNDING OF AMOUNTS

The Group is of the kind referred to in Australian Securities and Investments Commission (ASIC) Legislative Instrument 2016/191, and in accordance with that Class Order amounts in the Directors' Report and the Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

## REMUNERATION REPORT

For the year ended 31 March 2017

### REMUNERATION COMMITTEE CHAIRMAN'S LETTER

#### Dear Shareholder

On behalf of the Board, I am pleased to introduce OFX's Remuneration Report 2017, for which we seek your feedback and support at our Annual General Meeting (AGM) in August 2017.

The past 12 months have been challenging for OFX and our shareholders, and the Board has spent considerable time and effort to ensure that remuneration outcomes for the year are aligned with the shareholder experience.

Frozen fixed pay	No pay rises will be awarded except where appropriate on account of a change in role or responsibilities, or other exceptional circumstances. In FY17, Adam Smith received an increase of 6% to bring him in line with other Key Management Personnel (KMP) (with the exception of the CEO). Fixed pay was frozen for all other KMP.
No Short Term Incentive (STI)	Despite 1% growth in our net operating income, supported by 4% growth in active clients, we failed to keep our earnings promise, and consequently, the gateway (90% of earnings before tax [EBT] budget) was not met and so, no STI was awarded to KMP.
Current Long Term Incentive (LTI)	In the 2017 financial year, the Group introduced a new LTI, being the Executive Share Plan (ESP). The ESP was approved by shareholders at the 2016 AGM. For the 2017 financial year, KMP were offered a triple grant. Each tranche was equal to the KMP's annual LTI target. No grants issued under the ESP were due to vest in the 2017 financial year.
Legacy LTI	<i>OzForex Group Limited Long Term Incentive Plan</i> (Legacy LTI Plan) – The Board determined that in line with OFX's strategy, all performance rights issued under the one off special allocation under the Legacy LTI Plan in FY15 will be tested against the unchanged EPS compound annual growth rate (CAGR) gateway in March 2019. Further detail is provided in section 5 of the Remuneration Report. A number of grants issued under the Legacy LTI Plan remain on foot subject to vesting conditions as determined by the Board. No grants were due to vest in the 2017 financial year.  <i>IPO performance rights</i> – A small number (31.2%) of performance rights granted on IPO vested between threshold and target in June 2016 based on 13.41% EBTDA over the performance period from October 2013 to March 2016.
No Director fee Increases	Fees paid to Non-Executive Directors remain fixed since listing in October 2013.

In 2016, the Board undertook a review of OFX's remuneration framework and made a number of changes to the 2017 framework in light of the ambitious strategy we set for ourselves at that time.

In 2017, we introduced the ESP, a new LTI plan by way of an executive share loan scheme. By providing for an allocation of shares upfront, pursuant to a non-recourse company loan, executives are encouraged to 'think and behave like shareholders' from the grant date. The loan needs to be repaid following vesting before the participant has access to any shares. At the end of the day our executives do not benefit from the plan, unless our shareholders have.

At the time the ESP was introduced, the Board considered it appropriate to provide KMP with three years' worth of grants upfront (instead of three grants annually over the next three years) to be tested over three, four and five years. It was intended that this would focus our executive team on long-term growth beyond the strategy that was set at that time. Since making those decisions, it is clear that we have not fully delivered on the commitments we made to our shareholders. On his departure, while it was agreed that Mr Kimber will retain a pro-rata proportion of the shares issued to him, they remain subject to the performance conditions approved by shareholders. It has become apparent to us that these are now aspirational rather than realistic targets.

The Board and management are cognisant of the fact that we must 're-earn' your trust through execution in 2018. With our new CEO, Skander Malcolm in the seat, recent changes to the Executive Team and in our search for a new CFO, the Board is also mindful of the need to retain, motivate and attract the best new talent to deliver strong results for our shareholders.

Accordingly, the Board intends to set the new CEO's package at competitive levels to take OFX back to where we want to be. Going forward, our goal is to deliver consistent and sustainable growth through a strong focus on our customers and thoughtful and disciplined investment. For the first year of the CEO's appointment, the Board believes the loan scheme remains the right mechanism to deliver the LTI. Details of the CEO's 2017 LTI grant will be set out in our Notice of Meeting, for which we will seek your approval.

Given the continued disruption in the international payments market, our new CEO and his Executive Team will undertake a detailed review of strategy and the opportunities we may want to pursue. In this light, the Board is committed to continuing to review our remuneration framework over 2018 to ensure that our Executive Team is aligned behind Skander's strategy and our shareholders' interests going forward.

However, the Board is firm that our short and long term incentives will only vest where we generate acceptable levels of value for our shareholders. It remains our intention to encourage open dialogue with shareholders, particularly around our remuneration practices and disclosures. Accordingly, I welcome any feedback you may have.

Yours sincerely

A handwritten signature in black ink that reads "Melinda S Conrad." The signature is written in a cursive style with a large, stylized 'M' and 'C'.

**Melinda Conrad**

Remuneration Committee Chair

## REMUNERATION REPORT CONTINUED

For the year ended 31 March 2017

### INTRODUCTION

The Directors of OFX Group Limited (the Company) present the Remuneration Report for the Company and its controlled entities (collectively the Group or OFX) for the financial year ended 31 March 2017 prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) (the Corporations Act) and as audited as required by section 308(3C) of the Corporations Act.

#### 1. KEY MANAGEMENT PERSONNEL

The Remuneration Report outlines the remuneration arrangements in place for the Key Management Personnel (KMP) of the Group, which comprises all Directors (Executive and Non-Executive) and those Executives who have authority and responsibility for planning, directing and controlling the activities of the Group. In this report, 'Executives' refers to members of the Group Executive Team which includes both KMP and other Executives.

The following table details the Group's KMP during the 2017 financial year.

Name	Role
<b>Non-Executive Directors</b>	
Steven Sargent <sup>1</sup>	Chairman and Non-Executive Director
Peter Warne <sup>2</sup>	Former Chairman and Non-Executive Director
Melinda Conrad	Non-Executive Director
Grant Murdoch	Non-Executive Director
Douglas Snedden	Non-Executive Director
<b>Executive Directors</b>	
Skander Malcolm <sup>3</sup>	Managing Director and Chief Executive Officer (CEO)
Richard Kimber <sup>4</sup>	Former Managing Director and Chief Executive Officer (CEO)
<b>Other KMP</b>	
Mark Ledsham	Chief Financial Officer (CFO)
Adam Smith	Chief Operating Officer (COO)
Craige Pendleton-Browne	Chief Technology Officer (CTO)
Maria Loyez <sup>5</sup>	Former Chief Marketing Officer (CMO)

1 Steven Sargent commenced as Non-Executive Director and KMP on 4 August 2016.

2 Peter Warne ceased as Non-Executive Director and KMP on 14 November 2016.

3 Skander Malcolm commenced as KMP on 1 February 2017.

4 Richard Kimber ceased as KMP on 31 January 2017.

5 Maria Loyez ceased as KMP on 22 July 2016.

#### Contractual arrangements – Skander Malcolm – Managing Director and CEO

Mr Malcolm was appointed Managing Director and CEO effective 1 February 2017.

For the 2017 financial year Mr Malcolm's TFR is \$650,000 per annum. Mr Malcolm will be eligible for STI at a target amount of \$750,000 in FY18. Mr Malcolm will also be eligible to participate in the OFX Executive Share Plan (ESP). For the 2017 financial year, subject to shareholder approval and the terms of any invitation, Mr Malcolm will receive 3 LTI tranches, each equal to his LTI target of \$600,000. Mr Malcolm will not be offered an LTI grant in FY18 or FY19.

The terms of Mr Malcolm's appointment and termination arrangements are set out below.

Contract components	Details
Duration	Ongoing contract
Termination by Executive	Six months' notice
Termination by the Company	Six months' notice
Post-employment restraints	Six-month post-employment non-compete and non-solicitation restraint
Treatment of STI and LTI	Upon termination, if the CEO is considered a good leaver, the CEO will be entitled to a pro-rata STI award. Board discretion applies to the treatment of any unvested LTI.

KMP (excluding Managing Director and CEO) employment contracts and notice periods

Contract components	Details
Duration	Ongoing contract
Termination by Executive	Six months' notice for all KMP
Termination by the Company	Six months' notice for all KMP
Post-employment restraints	C Pendleton-Browne and A Smith have 6-month post-employment restraints. No other KMP or Executives have post-employment restraints.
Treatment of STI and LTI	Upon termination, if the KMP or Executive is considered a good leaver, the KMP may be entitled to a pro-rata STI award. Board discretion applies to the treatment of any unvested LTI.

## 2. REMUNERATION SNAPSHOT FOR THE 2017 FINANCIAL YEAR

Executives of the Group receive Total Reward Remuneration (TRR) that comprises fixed and variable (at risk) annual pay, a blend of fixed short-term and long-term incentives and which has three components:

- Fixed – total fixed remuneration (TFR)
- At-risk – Short Term Incentive (STI); and
- At-risk – Long Term Incentive (LTI).

The relative proportion of 'fixed' and 'at-risk' components of Executive remuneration varies by Executive. Executives with a closer link to the growth drivers of the business have a higher proportion of 'at-risk' remuneration, while Executives more aligned to risk and compliance functions have a lower 'at-risk' component. Participation in special retention plans is not taken into account in determining the Executives' percentage allocations. The three components of the remuneration framework are outlined as follows:

TFR	STI	LTI <sup>1</sup>
<ul style="list-style-type: none"> <li>• 28-70% of TRR.</li> <li>• TFR is set by reference to benchmark market information for comparable roles and individual performance.</li> <li>• Includes cash, non-financial benefits, and superannuation.</li> </ul>	<ul style="list-style-type: none"> <li>• 15-43% of TRR.</li> <li>• 40% of target STI is based on non-financial key performance indicators (KPIs) and 60% of target STI is based on financial KPIs.</li> <li>• Paid in cash and shares. The STI paid in shares is deferred over a two-year period.</li> <li>• 90% earnings before tax (EBT) budget gateway.</li> </ul>	<ul style="list-style-type: none"> <li>• 15%-30% of TRR.</li> <li>• Executive Share Plan (ESP) as approved by shareholders at the 2016 AGM.</li> <li>• Shares granted upfront pursuant to a company loan.</li> <li>• Vesting conditions linked to net operating income (NOI) and EPS at constant currency.</li> </ul>

<sup>1</sup> In addition to the components set out above, a number of grants issued under the Legacy LTI Plan remain on foot subject to vesting conditions as determined by the Board.

## REMUNERATION REPORT CONTINUED

For the year ended 31 March 2017

### 3. ROLE OF THE REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee (Remuneration Committee) is responsible for reviewing and making recommendations to the Board on the remuneration arrangements for the CEO and Executives. The Charter of the Remuneration Committee is available on the Group's website at [www.ofx.com/en-au/investors/corporate-governance/](http://www.ofx.com/en-au/investors/corporate-governance/).

To assist in performing its duties and making recommendations to the Board, the Remuneration Committee seeks independent advice from external consultants on various remuneration-related matters. The Remuneration Committee follows protocols relating to the engagement and use of external remuneration consultants to ensure compliance with the *Corporations Act 2001* [Cth].

During the 2017 financial year, *3 degrees consulting* were engaged to provide advice on the following:

- Retention arrangements for the CEO and the Executives; and
- Executive remuneration structure.

Throughout the year *3 degrees consulting* provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001*. The Board is satisfied that the recommendations received from remuneration consultants were made free from undue influence from the KMP to whom the recommendations relate. *3 degrees consulting* provided a formal declaration to the Chair of the Remuneration Committee in this regard. Further, the following arrangements were made to meet this requirement:

- The remuneration consultants were engaged by and reported to the Remuneration Committee on behalf of the Board. The agreement for the provision of remuneration consulting services was executed by the Chair of the Remuneration Committee.
- The advice containing the remuneration recommendations was provided by the remuneration consultants directly to the Chair of the Remuneration Committee.

The remuneration recommendations made by external advisors to the Remuneration Committee and the Board were used as an input to decision making only. The total fees paid to external advisors for remuneration recommendations included \$39,900.00 (excluding GST) paid to *3 degrees consulting*.

In addition to providing remuneration recommendations, *3 degrees consulting* provided advice on other aspects of the Company's remuneration framework throughout the year, including the provision of market data, governance and stakeholder communications advice. *3 degrees consulting* was paid \$42,450.00 (excluding GST) for these additional services.

### 4. REMUNERATION PRINCIPLES AND STRUCTURE

The objective of the remuneration framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The remuneration framework aligns remuneration for Executives across the Group with achievement of strategic objectives and the creation of value for shareholders. The Group's remuneration framework is structured to:

- Encourage a strong focus on performance and support the delivery of positive returns to the Group's shareholders;
- Attract, retain and motivate appropriately qualified and experienced individuals who will contribute to the Group's financial and operational performance;
- Motivate Executives to deliver results with both short and long term horizons; and
- Align Executive and shareholder interests through share ownership.

#### Overview of Executive remuneration components

##### Total fixed remuneration

TFR may be delivered as a combination of cash and prescribed non-financial benefits at the Executive's discretion. Retirement benefits are provided via defined contributions to approved superannuation funds.

Executives are offered a competitive base pay that comprises the fixed cash component of pay and rewards inclusive of superannuation. External remuneration consultants from time to time provide analysis and advice to ensure that TFR is set to reflect the market for a comparable role.

## Short Term Incentive

STI component	Details
Eligibility	All Executives were eligible to participate in the STI during the 2017 financial year.
Opportunity	<p>The size of the STI opportunity available to each Executive is based on their accountabilities and the impact of their role on the Company. This is typically in the range of 15-50% of TRR.</p> <p>If an Executive commences or ceases employment with the Company during the financial year, the Board will consider eligibility for a pro-rata share of their STI entitlement.</p> <p>Executives will not be eligible for an STI payment if terminated due to misconduct, poor performance or, in general, if they resign.</p>
KPIs	<p>The Remuneration Committee will annually approve the KPIs to link Executive STI and the level of payout if the KPI targets are met. This includes setting any maximum payout and minimum levels of performance. The Remuneration Committee is responsible, after the preparation of the financial statements each year (in respect of financial measures) and after a review of performance against non-financial measures by the CEO (and in the case of the CEO, by the Board following recommendation by the Remuneration Committee), for recommending to the Board the final STI payout for the previous financial year. The Board retains the discretion to vary the final STI payout if performance is considered to be deserving of either a greater or lesser amount.</p> <p>The KPIs linked to STI comprise two tranches, and within each tranche are a series of objectives. To be eligible for access to STI, a minimum EBT performance gateway must be achieved of at least 90% of target EBT budget. No STI will be payable if the 90% EBT budget gateway is not met irrespective of whether the Tranche A and Tranche B performance indicators are met. Target EBT is approved by the Board at the commencement of the performance period.</p> <p><b>Tranche A – Non-financial performance indicators</b></p> <p>40% of the total target STI is available in Tranche A (non-financial performance indicators). If an Executive does not meet a minimum performance threshold in Tranche A, they are not eligible to participate in Tranche B. The non-financial performance indicators are designed to drive leadership performance and behaviours consistent with the role and expectations for each Executive. These include objectives relating to leadership and culture, project management and delivery, risk management outcomes, Net Promoter Score (NPS) outcomes and employee engagement scores.</p> <p><b>Tranche B – Financial performance indicators</b></p> <p>60% of the total target STI is available in Tranche B. The financial performance indicators for the 2017 financial year were:</p> <ul style="list-style-type: none"> <li>• NOI;</li> <li>• EBT; and</li> <li>• Active clients<sup>1</sup></li> </ul> <p>In the event of outperformance against the target financial and non-financial performance indicators, there is a potential additional outperformance bonus available of 20% on Tranche A and 33% on Tranche B.</p>
Payment	<p>CEO: 50% in cash and the remaining 50%, subject to shareholder approval, deferred to be delivered in performance rights, shares or other security to vest 50% (or 25% of total STI entitlement) each year over two years.</p> <p>Executives: 75% settled in cash, with 25% deferred to be delivered in performance rights, shares or other security to vest 50% (or 12.5% of total STI entitlement) each year over two years.</p>

<sup>1</sup> Active clients are the clients who have transacted at least once in the prior 12 months.

## REMUNERATION REPORT CONTINUED

For the year ended 31 March 2017

### Long Term Incentive

LTI was available to KMP only in the 2017 financial year pursuant to the ESP as approved by shareholders at the 2016 AGM. Under the ESP, non-recourse loans are issued for the sole purpose of acquiring shares in the Company.

#### The ESP

LTI component	Details
Objective	The ESP is designed to link long-term KMP reward with the ongoing creation of shareholder value, with the allocation of equity awards which are subject to satisfaction of performance hurdles as set by the Board.
Eligibility	During the 2017 financial year the ESP was limited to KMP. Non-Executive Directors are not eligible to participate in the ESP.
Award value	During the 2017 financial year, LTI awards under the ESP were in the range of 15-30% of TRR.
Loan arrangements	<p>The loan amount provided to each KMP is based on their LTI target amount (LTI percentage of TFR) multiplied by an externally determined 'loan value' which is calculated using an adjusted Black-Scholes option pricing valuation model.</p> <p>The loan is 'interest free' in that there is no annual interest charge to the participant on the loan. However, the notional value of this interest is taken into account in the overall structure of the plan.</p> <p>The KMP is obliged to pay a portion of the post-tax value of any dividends received during the loan term toward repayment of the loan amount.</p> <p>To access shares under the ESP, KMP must repay their loan in full. Following the end of the relevant vesting period, assuming the earnings 'gateway' is achieved, the KMP can either repay the loan directly or sell some or all of their shares and apply the proceeds to repay the loan. Repayment of the loan must be received within two years in order for the KMP to access the shares.</p> <p>The Board may, in its discretion, include one or more vesting conditions as a term of the loan which, if satisfied, will result in part forgiveness of the loan. The Board may exercise this discretion for current shares on foot under the ESP if NOI growth or EPS growth for the relevant performance period exceeds the target measure.</p>
Allocation methodology, timing and performance period	<p>The ESP was approved by shareholders at the 2016 AGM. For the 2017 financial year, each KMP was offered a triple grant of shares upfront, each tranche being equal to the KMP's annual LTI target and with differing performance periods. A triple grant was issued as an incentive to focus on the key performance drivers of the Group's strategy at that time, helping to deliver sustainable growth in shareholder value. The three issuances had performance periods of three, four and five years respectively.</p> <p>Shares under the ESP were issued in the 2017 financial year at a price equal to the five-day volume weighted average price (VWAP) for the period prior to issue, including the day of issue. A loan will be provided equal to the five-day VWAP multiplied by the total number of shares to be issued.</p>
Vesting condition	<p>The shares for each award are split into two tranches (Tranche A and Tranche B), each having a separate vesting condition of CAGR of constant currency NOI and CAGR of constant currency EPS over a specified performance period. The Board implemented a 'gateway' level of minimum acceptable growth in EPS performance below which no shares will vest which applies to both tranches. The gateway conditions for the 2017 financial year are that the Company must achieve a minimum level of performance of the threshold measure for EPS growth for the tranche with the corresponding performance period to be available for vesting.</p> <p>The shares are subject to performance hurdles and ongoing employment. The performance hurdles to apply to each issuance will be determined by the Board at the time of issue.</p>
Performance testing	<p>Testing of the vesting conditions for each tranche will occur once the results for the relevant financial year in the last year of the performance period have been approved by the Board.</p> <p>There is no retesting of the vesting conditions.</p>
Trading restrictions	KMP must not transfer, encumber, hedge or otherwise deal with shares acquired under the ESP until the loan in respect of those shares has been paid in full or arrangements satisfactory to the Board are made for repayment of the loan in full from proceeds of sale of the shares.
Forfeiture conditions	If the performance-based vesting conditions are not met, then the shares will be forfeited, with the forfeited shares treated as full consideration for the repayment of the loan.
Control event	The Board has absolute discretion to determine that some or all of the unvested shares will vest if there is a takeover or scheme of arrangement of the Company or a proposed winding up of the Company.
Shareholder approval	Shareholder approval is required for the issue of shares to any Director.



### Implications of the CEO stepping down

Mr Kimber stepped down as Chief Executive Officer and Managing Director on 31 January 2017.

As a result, the Board resolved that Mr Kimber will retain on foot:

- ESP
  - 433,218 ordinary shares in the ESP eligible to vest in accordance with Mr Kimber’s ESP Invitation Terms as approved by shareholders at the 2016 AGM and subject to the performance conditions set out in Mr Kimber’s ESP Invitation Terms and to Mr Kimber meeting his ongoing contractual requirements.
- Legacy LTI Plan
  - 80,229 performance rights eligible to vest in accordance with Mr Kimber’s Legacy LTI Plan Invitation and subject to the performance conditions set out in Mr Kimber’s Legacy LTI Plan Invitation and to Mr Kimber meeting his ongoing contractual requirements;
  - 205,193 options, subject to Mr Kimber meeting his ongoing contractual requirements.

## 5. LEGACY REMUNERATION PRACTICES

### Legacy LTI Plan

OFX’s LTI changed in the 2017 financial year from the Legacy LTI Plan to the ESP to align with market practice, while continuing to support the Group’s strategy. The Legacy LTI Plan is now a legacy plan. The Legacy LTI Plan issued performance rights, service rights and share options to Executives and KMP. The Legacy LTI Plan will continue to operate until all issuances on foot vest or lapse in accordance with relevant vesting conditions as determined by the Board.

The grants under the Legacy LTI Plan have the following vesting conditions:

#### Performance rights

Issuance date	EPS CAGR	Vesting level (EBTDA CAGR)			Performance period
		100%	25-100%	0%	
Retention rights tranche 1 <sup>1</sup>	≥ 14%	≥ 19%	14-19%	<14%	54 months
Retention rights tranche 2 <sup>1</sup>	≥ 14%	≥ 19%	14-19%	<14%	54 months
Retention rights tranche 3	≥ 14%	≥ 19%	14-19%	<14%	54 months
FY15 performance rights	≥ 17%	≥ 22%	17-22%	<17%	36 months

Issuance date	EPS CAGR	Vesting level (NOI CAGR)			Performance period
		100%	25-100%	0%	
FY16 performance rights <sup>2</sup>	≥ 17%	≥ 22%	17-22%	<17%	36 months

<sup>1</sup> The performance period and performance targets of these tranches were modified during the year to align with Tranche 3.

<sup>2</sup> No KMP were issued these performance rights during the 2017 financial year.

#### Service rights

Service rights are not subject to performance conditions. Vesting is subject to meeting employment service requirements.

#### Share options

Share options are not subject to performance conditions. Vesting is subject to meeting employment service requirements and an exercise price.

#### IPO performance

31.2% of performance rights granted to Executives who were employed by the Company at the listing date (and others who were members of the Leadership Team at the time of the IPO) on IPO vested between threshold and target on 7 June 2016 based on 13.41% EBTDA over the performance period from October 2013 to March 2016.

**REMUNERATION REPORT CONTINUED**

For the year ended 31 March 2017

**6. GROUP PERFORMANCE**

As the Company only listed on 11 October 2013, it is not possible to present five years of financial Company performance data. The Group's 2014-2017 annual financial performance measures are listed below. The financial measures for the Group for the period 1 April 2013 to 11 October 2013 are based on the results of OzForex Limited (formerly OzForex Pty Limited), as the Group's financial results have been prepared as a continuation of the OzForex Limited consolidated group.

Performance metrics	2014	2015	2016	2017
Net operating income <sup>1</sup>	\$72.6m	\$90.1m	\$103.9m	\$105.1m
EBTDA	\$22.4m	\$34.5m	\$33.1m	\$27.8m
Underlying EBTDA	\$29.4m	\$34.5m	\$36.1m	\$27.8m
Active clients	120,500	142,500	150,900	156,700
Basic earnings per share <sup>2</sup>	6.84cps	10.11cps	9.09cps	8.17cps
Underlying basic earnings per share <sup>3</sup>	8.92cps	10.11cps	9.95cps	8.17cps
Dividend per share <sup>4</sup>	N/A	\$0.05875	\$0.07184	\$0.05900
	\$3.30			
Closing share price	(\$1.30 above 'retail' price]	\$2.41	\$2.02	\$1.48

1 Net operating income, a non-IFRS measure, is the combination of 'fee and trading income' and 'fee and commission expense' and 'interest income'.

2 For the calculation of EPS refer to Note 6 of the financial statements.

3 Underlying basic earnings per share is the basic earnings per share calculation utilising the underlying NPAT of the Group.

4 This represents dividends distributed in the period.

## 7. EXECUTIVE REMUNERATION DISCLOSURES

	Year	Short-term employment benefits				Post-employment benefits	Long-term benefits	Share-based payments			Total \$
		Cash salary and fees \$	Cash bonus \$	Non-monetary benefits <sup>1</sup> \$	Other <sup>2</sup> \$	Super-annuation \$	Long service leave \$	Performance rights \$	Share loan \$	Options \$	
<b>Current KMP</b>											
S Malcolm <sup>3</sup>	2017	105,064	-	-	-	4,904	-	-	-	-	109,968
	2016	-	-	-	-	-	-	-	-	-	-
M Ledsham <sup>4</sup>	2017	330,448	-	-	-	19,539	9,561	(214,724)	65,749	-	210,573
	2016	330,810	-	-	-	19,177	10,660	282,681	-	-	643,328
A Smith <sup>5</sup>	2017	320,538	-	-	-	26,134	366	145,639	65,749	-	558,426
	2016	152,159	-	-	-	9,654	-	61,170	-	-	222,983
C Pendleton-Browne <sup>1</sup>	2017	330,692	-	-	-	26,780	339	59,093	65,749	-	482,653
	2016	124,221	-	17,236	-	7,765	-	18,199	-	-	167,421
<b>Former KMP</b>											
R Kimber <sup>6</sup>	2017	400,397	-	-	530,398	22,331	-	29,356	60,919	18,484	1,061,885
	2016	419,129	-	-	-	18,190	-	71,170	-	42,587	551,076
M Loyez <sup>7</sup>	2017	96,025	-	-	184,331	17,866	-	-	-	-	298,222
	2016	197,132	-	-	-	12,872	-	-	-	-	210,004
L Cox <sup>8</sup>	2017	-	-	-	-	-	-	-	-	-	-
	2016	23,492	-	-	-	2,485	29	16,800	-	-	42,806
J Parker <sup>8</sup>	2017	-	-	-	-	-	-	-	-	-	-
	2016	54,293	-	-	-	3,147	82	47,221	-	-	104,743
J Rohloff <sup>8</sup>	2017	-	-	-	-	-	-	-	-	-	-
	2016	43,134	-	-	-	3,147	863	36,159	-	-	83,303
J Davidson <sup>9</sup>	2017	-	-	-	-	-	-	-	-	-	-
	2016	82,859	-	-	44,257	9,414	82	(37,181)	-	-	99,431
S Griffin <sup>9</sup>	2017	-	-	-	-	-	-	-	-	-	-
	2016	167,483	-	-	118,564	14,350	2,982	(88,981)	-	-	214,398
N Helm <sup>9</sup>	2017	-	-	-	-	-	-	-	-	-	-
	2016	157,348	-	-	-	8,927	2,887	28,663	-	-	197,825
D Higgins <sup>9</sup>	2017	-	-	-	-	-	-	-	-	-	-
	2016	147,907	-	-	-	9,588	2,244	(87,547)	-	-	72,192
<b>Total KMP remuneration</b>											
	2017	1,583,164	-	-	714,729	117,554	10,266	19,364	258,166	18,484	2,721,727
	2016	1,899,967	-	17,236	162,821	118,716	19,829	348,354	-	42,587	2,609,510

1 Non-monetary benefits received by C Pendleton-Browne in the prior year related to relocation costs paid by the Company as part of him becoming an employee of the Group. C Pendleton-Browne commenced employment with the Group on 16 November 2015.

2 Other payments relate to amounts paid subject to separation arrangements following cessation of employment.

3 S Malcolm commenced employment with the Group on 1 February 2017.

4 M Ledsham's remuneration includes a write-back of previously expensed share-based payments due to the revised probability of the retention rights (Tranches 1, 2 and 3) vesting which were issued under the Legacy LTI Plan.

5 A Smith commenced employment with the Group on 6 October 2015.

6 R Kimber ceased to be KMP and employee on 31 January 2017.

7 M Loyez ceased to be KMP and employee on 22 July 2016.

8 L Cox, J Parker and J Rohloff ceased being KMP on 31 May 2015.

9 J Davidson, S Griffin, N Helm and D Higgins resigned as KMP and employees during the 2016 financial year.

**REMUNERATION REPORT CONTINUED**

For the year ended 31 March 2017

**Executive Share Plan (ESP)**

Australian Accounting Standards require the shares be treated as options for accounting purposes due to the structure of the ESP. The shares are not subject to an exercise price, and the amounts receivable from participants in relation to these loans are not recognised in the consolidated financial statements.

Issuance	Grant date	Vesting date	Expiry date	Fair value per options at grant date	Performance achieved	% vested
Share-based Loan (Tranche 1)	14 June 2016	7 June 2019	6 June 2021	0.70	To be determined	-
Share-based Loan (Tranche 2)	14 June 2016	7 June 2020	6 June 2022	0.77	To be determined	-
Share-based Loan (Tranche 3)	14 June 2016	7 June 2021	6 June 2023	0.84	To be determined	-

The number and value of notional options held by KMP under the ESP during the 2017 financial year are set out below.

	Held at 1 April 2016	Granted during the year	Exercised during the year	Lapsed during the year	Held at 31 March 2017	Value of options at grant date \$
<b>Current KMP</b>						
M Ledsham	-	500,000	-	-	500,000	384,650
A Smith	-	500,000	-	-	500,000	384,650
C Pendleton-Browne	-	500,000	-	-	500,000	384,650
<b>Former KMP</b>						
R Kimber	-	1,955,895	-	1,522,677	433,218	1,498,228

**Loans to Executives under ESP**

The value of non-recourse loans provided to the Executives under the ESP during the 2017 financial year are set out below. The value of the loan is calculated using the five-day VWAP for the period prior to issue, including the day of issue.

Name	Held at 1 April 2016 \$	Advances during the year \$	Loan forgiveness granted during the year \$	Repayments during the year \$	Held at 31 March 2017 \$	Interest paid or payable \$	Interest not charged \$	Highest indebtedness during the year \$
<b>Current KMP</b>								
M Ledsham	-	1,065,000	-	(7,140)	1,057,860	-	48,896	1,065,000
A Smith	-	1,065,000	-	(7,140)	1,057,860	-	48,896	1,065,000
C Pendleton-Browne	-	1,065,000	-	(7,140)	1,057,860	-	48,896	1,065,000
<b>Former KMP</b>								
R Kimber	-	4,166,056	-	(3,271,232)	894,824	-	160,908	4,166,056

### Legacy LTI Plan

Performance rights, service rights and options as vested and on foot as at 31 March 2017

#### Performance rights

On vesting, each performance right is convertible into one ordinary share of the Company. No exercise price is payable.

#### Service rights

Service rights are issued in certain circumstances as part of the initial employment arrangements for employees. The only vesting condition is ongoing employment at the vesting date. On vesting, each service right is convertible into one ordinary share of the Company. No exercise price is payable.

#### Share options

On vesting, each share option is convertible into one ordinary share of the Company. An exercise price of \$2.49 is payable in order for the options to vest and must be exercised within 12 months of the vesting date. There were no share options issued during the year ended 31 March 2017.

Further information on share-based payments is set out in Note 23 of the Financial Report.

Issuance	Grant date	Vesting date	Fair value per right/ option at grant date \$	Performance achieved	% vested
Retention rights Tranche 1 <sup>1</sup>	20 October 2014	7 June 2019	2.21	To be determined	-
Retention rights Tranche 2 <sup>1</sup>	20 October 2014	7 June 2019	2.21	To be determined	-
Retention rights Tranche 3	20 October 2014	7 June 2019	2.21	To be determined	-
FY15 performance rights	26 June 2015	7 June 2018	1.84	To be determined	-
Service rights Executive A	16 October 2015	7 June 2017	2.51	N/A	-
Service rights Executive B	20 November 2015	20 November 2018	2.42	N/A	-
Share options Tranche 1	1 June 2015	30 June 2018	0.52	N/A	-
Share options Tranche 2	1 June 2015	30 June 2019	0.50	N/A	-

1 The performance period of these tranches was modified during the year to align with Tranche 3.

The minimum valuation of shares yet to vest is \$nil as they will be forfeited if vesting conditions are not met.

### IPO performance rights issuance

Issuance	Grant date	Vesting date	Fair value per performance right at grant date \$	Performance achieved	% vested
IPO rights	11 October 2013	7 June 2016	1.83	Partly	31.2%

### KMP shareholding

	Held at 1 April 2016	Exercise of share options or rights during the period	Other movements	Held at 31 March 2017
<b>Current KMP</b>				
S Malcolm	-	-	-	-
M Ledsham	27,500	17,160	(17,160)	27,500
A Smith	-	-	-	-
C Pendleton-Browne	-	-	-	-
<b>Former KMP</b>				
R Kimber <sup>1</sup>	21,000	-	-	21,000
M Loyez <sup>1</sup>	-	-	-	-

1 R Kimber and M Loyez ceased being KMP prior to 31 March 2017. The balance above is reflective of the known balance at their resignation date.

There were no shares granted to KMP during the year that was not the result of grants relating to long term incentives vesting.

## REMUNERATION REPORT CONTINUED

For the year ended 31 March 2017

### Movement in share-based payments during the year

The movement in the performance rights, service rights and share options during the year ended 31 March 2017 is outlined below:

	Held at 1 April 2016	Number granted during the year	Number vested during the year	Number forfeited during the year	Held at 31 March 2017	Value of shares at 1 April 2016 \$ <sup>1</sup>	Value of Shares Granted \$	Value of vested shares \$ <sup>1</sup>	Value of shares forfeited \$ <sup>1</sup>	Value at shares at 31 March 2017 \$ <sup>1</sup>
<b>Current KMP</b>										
<b>M Ledsham</b>										
IPO rights	17,160	-	17,160	-	-	31,403	-	31,403	-	-
Retention rights	450,000	-	-	-	450,000	994,500	-	-	-	994,500
FY15 performance rights	59,838	-	-	-	59,838	101,102	-	-	-	101,102
<b>A Smith</b>										
Service rights – Executive A	92,829	-	-	-	92,829	233,001	-	-	-	233,001
<b>C Pendleton-Browne</b>										
Service rights – Executive B	82,645	-	-	-	82,645	200,001	-	-	-	200,001
<b>Former KMP</b>										
<b>R Kimber</b>										
FY15 performance rights	135,995	-	-	(55,766)	80,229	250,201	-	-	(102,609)	147,592
Share options Tranche 1	200,000	-	-	(82,012)	117,988	104,000	-	-	(42,646)	61,354
Share options Tranche 2	200,000	-	-	(112,795)	87,205	100,000	-	-	(56,397)	43,603

<sup>1</sup> The value of shares reflects the fair value at the time of grant as determined under AASB2.

### Fixed and at-risk remuneration

The percentage of remuneration received as fixed pay and at-risk pay during the year ended 31 March 2017 by KMP is outlined below:

Name	Fixed remuneration	Other	At-risk – STI		At-risk – LTI	
			Cash bonus	Rights	Options	Share loan
M Skander	100%	-	-	-	-	-
M Ledsham <sup>1</sup>	171%	-	-	(102%)	-	31%
A Smith	62%	-	-	26%	-	12%
C Pendleton-Browne	74%	-	-	12%	-	14%

<sup>1</sup> Mark Ledsham's fixed remuneration is stated as 171% as a result of the revised probability of the retention rights (Tranches 1, 2 and 3) vesting which were issued under the Legacy LTI Plan which resulted in a write-back of previously expensed cost.

## 8. NON-EXECUTIVE DIRECTOR DISCLOSURE

### Fee framework

The Board seeks to set fees for the Non-Executive Directors that reflect the demands which are made on, and the responsibilities of, the Directors, and at a level which will attract and retain directors of the highest quality.

The Non-Executive Director fees are based on the findings of a benchmarking exercise undertaken by KPMG prior to the listing which reviewed Board remuneration relative to peer and comparably sized companies.

Going forward, Non-Executive Directors' fees will be reviewed from time to time, and they may seek the advice of external remuneration advisors for this purpose. There were no changes in fees during the year.

### Fee pool

The maximum fee pool payable to be shared by all Non-Executive Directors is currently set at \$1,000,000 per annum. To preserve independence, Non-Executive Directors do not receive any equity as part of their remuneration and do not receive any performance-related compensation. Non-Executive Directors receive superannuation contributions where required by Superannuation Guarantee legislation.

### Fees applicable for 2017

Role	\$
Chairperson fee	200,000
Base Director fee	100,000
Committee chair fee	25,000
Committee member fee	15,000

### Statutory Non-Executive Director fees for the year ended 31 March 2017

Details of the fees paid to the Non-Executive Directors are outlined below:

Non-Executive Directors	Year	Short-term employee benefits	Post- employment benefits	Total
		Cash salary and fees	Super- annuation	
S Sargent <sup>1</sup>	2017	118,850	11,198	130,048
	2016	-	-	-
P Warne <sup>2</sup>	2017	131,334	12,175	143,509
	2016	211,217	19,177	230,394
M Conrad	2017	127,854	12,146	140,000
	2016	127,854	12,146	140,000
G Murdoch	2017	114,155	10,845	125,000
	2016	114,155	10,845	125,000
D Snedden	2017	118,721	11,279	130,000
	2016	119,254	11,329	130,583
<b>Total Non-Executive Directors' remuneration</b>	2017	610,914	57,643	668,557
	2016	572,480	53,497	625,977

1 Steven Sargent commenced as Non-Executive Director on 4 August 2016.

2 Peter Warne ceased as Non-Executive Director on 14 November 2016.

**REMUNERATION REPORT CONTINUED**

For the year ended 31 March 2017

**9. NON-EXECUTIVE DIRECTOR SHAREHOLDINGS**

Details of Non-Executive Directors' and their affiliates' shareholdings in the Company are set out below:

Non-Executive Directors	Year	Shares held at the beginning of the year	Movement	Shares held at the end of the year
S Sargent	2017	-	100,000	100,000
	2016	-	-	-
M Conrad	2017	100,000	-	100,000
	2016	50,000	50,000	100,000
G Murdoch	2017	145,000	100,000	245,000
	2016	95,000	50,000	145,000
D Snedden	2017	39,000	61,000	100,000
	2016	-	39,000	39,000

**10. SECURITIES TRADING POLICY**

All Directors and employees are required to comply with the Group's Securities Trading Policy in undertaking any trading in the Company's shares and may not trade if they are in possession of any inside information. Directors and employees can only trade during the specified trading windows immediately following the release of the half year and full year results and the annual meeting. In addition, Directors and certain restricted employees may only trade during the trading windows with prior written clearance as set out in the Policy. The Policy prohibits employees who participate in any equity-based plan from entering into any transaction in relation to unvested securities which would have the effect of limiting the economic risk of an unvested security.

**11. OUTLOOK**

The Group will continue to review and adjust its reward mechanisms annually, as required, to ensure that its long-term growth aspirations are met.

This Report is made in accordance with a resolution of the Directors.

On behalf of the Board



**Steven Sargent**  
Chairman

23 May 2017



**John Alexander Malcolm**  
Chief Executive Officer and Managing Director



# FINANCIAL REPORT

<b>Auditor's Independence Declaration</b>	<b>40</b>
<b>Financial Statements</b>	<b>41</b>
Consolidated Statement of Comprehensive Income	41
Consolidated Statement of Financial Position	42
Consolidated Statement of Changes in Equity	43
Consolidated Statement of Cash Flows	44
<b>Notes to the financial statements</b>	<b>45</b>
About this report	45
Segment information	46
Results for the year	48
Financial assets and liabilities	52
Other assets and liabilities	58
Capital structure	61
Other items	62
<b>Directors' Declaration</b>	<b>67</b>
<b>Independent auditor's report to the members of OFX Group Limited</b>	<b>68</b>
<b>Shareholder information</b>	<b>73</b>
<b>Corporate Information</b>	<b>75</b>

## AUDITOR'S INDEPENDENCE DECLARATION

**Auditor's Independence Declaration**

As lead auditor for the audit of OFX Group Limited for the year ended 31 March 2017, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of OFX Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'CPG Cooper', with a horizontal line underneath.

CPG Cooper  
Partner  
PricewaterhouseCoopers

Sydney  
23 May 2017

---

**PricewaterhouseCoopers, ABN 52 780 433 757**

One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2000  
T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

## FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 \$'000	2016 \$'000
Fee and trading income	2	114,063	111,246
Fee and commission expense	2	(10,117)	(8,995)
Net income		103,946	102,251
Interest and similar other income	2	1,169	1,662
<b>Net operating income</b>		105,115	103,913
Employment expenses	3	(42,772)	(38,979)
Occupancy expenses	3	(5,416)	(3,855)
Promotional expenses		(16,303)	(15,306)
Other operating expenses	3	(16,637)	(13,980)
<b>Total operating expenses</b>		(81,128)	(72,120)
<b>Net profit before income tax</b>		23,987	31,793
Income tax expense	4	(4,391)	(9,979)
<b>Net profit attributable to ordinary shareholders</b>		19,596	21,814
<b>Other comprehensive income</b>			
<i>Other comprehensive income that may be reclassified to profit and loss</i>			
Exchange differences on translation of foreign operations net of hedging		(65)	(33)
<b>Total comprehensive income attributable to ordinary shareholders</b>		19,531	21,781
<b>Earnings per share attributable to ordinary shareholders:</b>		<b>Cents</b>	<b>Cents</b>
Basic	6	8.17	9.09
Diluted	6	8.05	8.99

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	2017 \$'000	2016 \$'000
<b>Assets</b>			
Cash and cash equivalents	7	148,459	142,088
Deposits due from financial institutions	7	10,114	20,802
Derivative financial assets	9	14,154	26,977
Prepayments		2,402	2,216
Prepaid current income tax		2,238	1,945
Other receivables	8	1,163	986
Property, plant and equipment	13	5,473	6,512
Intangible assets	14	5,456	2,760
Deferred income tax assets	5	219	1,310
<b>Total assets</b>		<b>189,678</b>	<b>205,596</b>
<b>Liabilities</b>			
Client liabilities	7	115,924	124,827
Derivative financial liabilities	9	7,351	20,297
Other creditors and accruals	15	7,047	4,754
Employee provisions	16	1,763	2,467
Deferred income tax liabilities	5	120	22
<b>Total liabilities</b>		<b>132,205</b>	<b>152,367</b>
<b>Net assets</b>		<b>57,473</b>	<b>53,229</b>
<b>Equity</b>			
Ordinary share capital	19	24,360	24,360
Retained earnings		31,636	26,293
Foreign currency translation reserve		213	278
Share-based payments reserve		1,264	2,298
<b>Total equity attributable to shareholders</b>		<b>57,473</b>	<b>53,229</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

## FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Notes	Ordinary share capital \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Share-based payments reserve \$'000	Total equity \$'000
<b>Balance at 1 April 2015</b>		24,360	21,721	311	1,239	47,631
Net profit		-	21,814	-	-	21,814
Other comprehensive income		-	-	(33)	-	(33)
<b>Total comprehensive income</b>		-	21,814	(33)	-	21,781
Transactions with shareholders in their capacity as shareholders:						
Dividends paid	20	-	(17,242)	-	-	(17,242)
Expenses related to share based payments	23	-	-	-	1,059	1,059
		-	(17,242)	-	1,059	(16,183)
<b>Balance at 31 March 2016</b>		24,360	26,293	278	2,298	53,229
Net profit		-	19,596	-	-	19,596
Other comprehensive income		-	-	(65)	-	(65)
<b>Total comprehensive income</b>		-	19,596	(65)	-	19,531
Transactions with shareholders in their capacity as shareholders:						
Dividends paid	20	-	(14,253)	-	-	(14,253)
Expenses related to share based payments	23	-	-	-	(1,034)	(1,034)
		-	(14,253)	-	(1,034)	(15,287)
<b>Balance at 31 March 2017</b>		24,360	31,636	213	1,264	57,473

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## FINANCIAL STATEMENTS

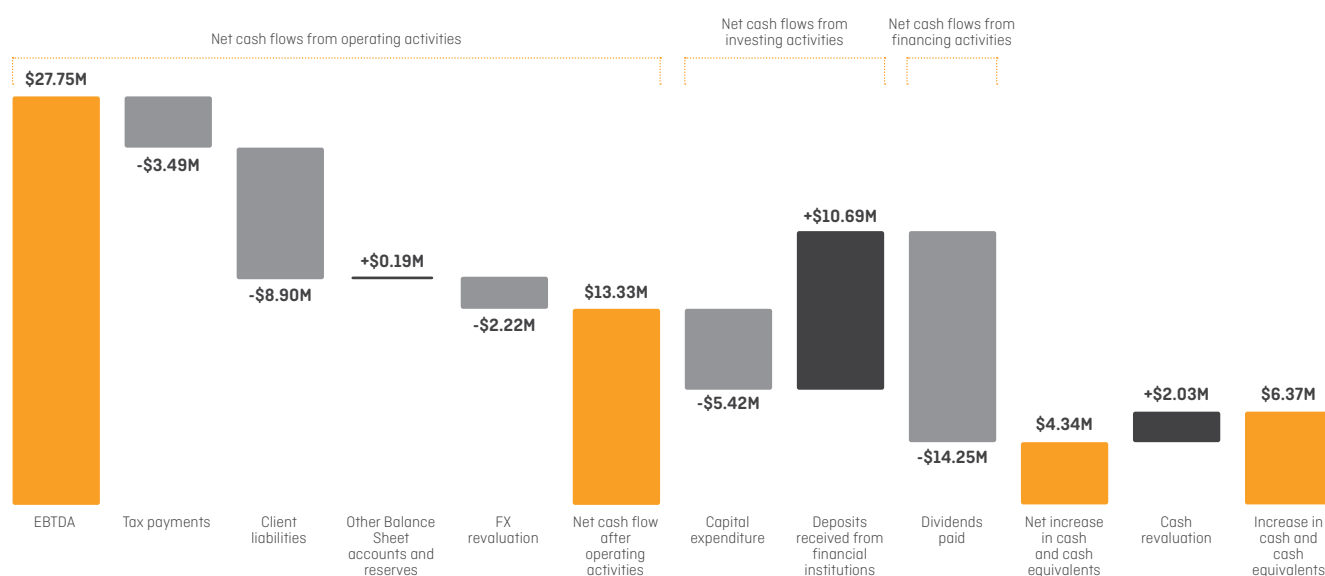
### CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Notes	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
Cash inflows from clients		19,368,113	19,596,083
Cash outflows to clients, suppliers and employees		(19,352,460)	(19,569,976)
Interest received		1,169	1,662
Income tax paid		(3,495)	(11,994)
<b>Net cash flows from operating activities</b>	12	13,327	15,775
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(821)	(6,490)
Payments for intangible assets		(4,601)	(2,927)
Cash deposited with financial institutions		10,688	(15,602)
<b>Net cash flows from investing activities</b>		5,266	(25,019)
<b>Cash flows from financing activities</b>			
Dividends paid	20	(14,253)	(17,242)
<b>Net cash flows from financing activities</b>		(14,253)	(17,242)
<b>Net (decrease)/increase in cash and cash equivalents</b>		4,340	(26,486)
Cash and cash equivalents at the beginning of the year		142,088	168,804
Exchange (losses)/gains on cash and cash equivalents		2,031	(230)
<b>Cash and cash equivalents at the end of the year</b>	7	148,459	142,088

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

#### Cash flow for the year ended 31 March 2017



## NOTES TO THE FINANCIAL STATEMENTS ABOUT THIS REPORT

For the year ended 31 March 2017

### ABOUT THIS REPORT

OFX Group Limited (the Company) is a company limited by shares, incorporated and domiciled in Australia. Its shares are publicly traded on the Australian Securities Exchange. This financial report presents the consolidated performance, position and cash flows of OFX Group Limited and its subsidiaries (the Group). The Group is for-profit for the purpose of preparing the financial statements. The accounting policies explained in this report are consistent for all the periods presented unless otherwise stated. The Directors have the power to amend and reissue the financial report.

The financial report is a general purpose financial report which:

- Is prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Consequently, this financial report has also been prepared in accordance with and complies with IFRS as issued by the IASB.
- Has been prepared under the historical cost convention except for derivatives and share-based payments which are measured at fair value.
- Presents reclassified comparative information where required for consistency with the current year's presentation.
- Is presented in Australian dollars with all values rounded to the nearest thousand dollars in accordance with ASIC Legislative Instrument 2016/191 unless otherwise indicated.

No new Accounting Standards or amendments to Accounting Standards became effective in the current year and had a material impact on the Group. Refer to Note 29 for further details.

### Critical estimates and judgements

Preparing the financial report requires judgement in applying the accounting policies and calculating certain critical accounting estimates.

The Group's critical accounting estimates and significant judgements are:

- Fair value of financial instruments (Note 10).
- Share-based payments (Note 23).

### BASIS OF CONSOLIDATION

The consolidated financial report comprises the assets and liabilities of all subsidiaries of OFX Group Limited (the Group) as at 31 March 2017 and the results of all subsidiaries for the year then ended. A list of controlled entities at year end is contained in Note 22.

Subsidiaries are all those entities over which the Group has the power to direct the relevant activities, exposure to significant variable returns and the ability to utilise power to affect the Group's own returns. The determination of control is based on current facts and circumstances and is continuously assessed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the separate financial statements of OFX Group Limited in accordance with AASB 127 *Separate Financial Statements*.

### FUNCTIONAL AND PRESENTATION CURRENCY

Foreign operations are measured in the Group's financial statements using the currency of the primary economic environment in which the foreign operation operates (the functional currency). The functional currencies of overseas subsidiaries are listed in Note 22.

The Group's financial statements are presented in Australian dollars, which is OFX Group Limited's functional and presentation currency.

### GST

Revenues, expenses and fixed assets are recognised net of the associated GST, unless the GST is not recoverable from the relevant taxation authority.

Receivables and creditors are presented including GST. The net GST recoverable from, or payable to, each taxation authority is presented in other receivables or other payables.

Cash flows are presented including GST. The GST components of the cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

## NOTES TO THE FINANCIAL STATEMENTS

### SEGMENT INFORMATION

For the year ended 31 March 2017

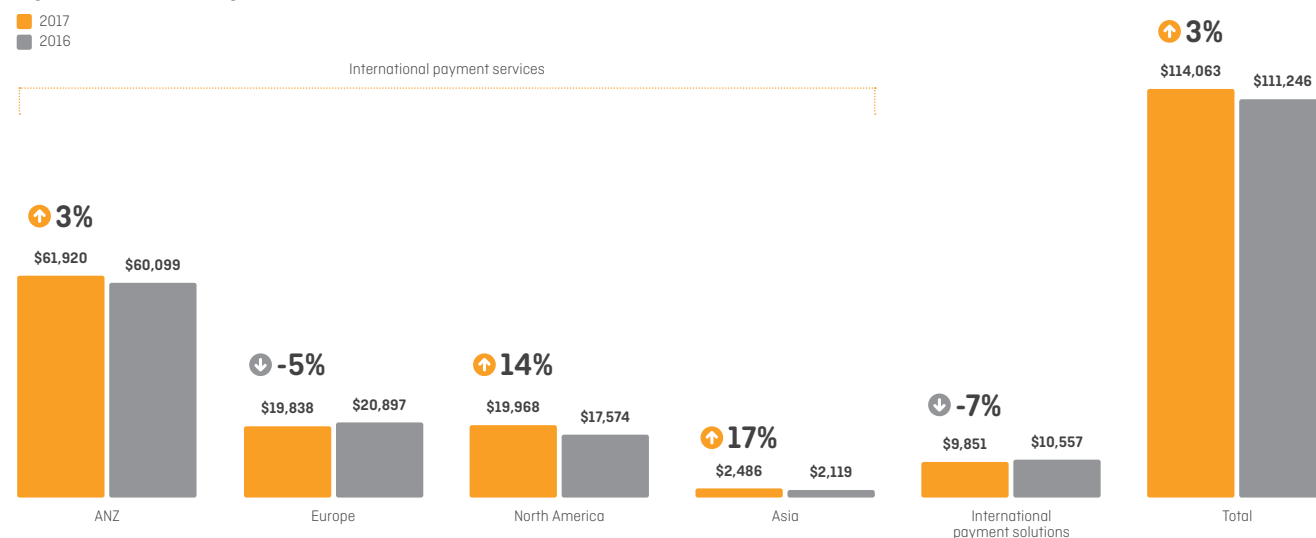
#### NOTE 1. SEGMENT INFORMATION

The operating segments presented below reflect how senior management and the board of directors (the chief operating decision makers) allocate resources to the segments and review their performance. The chief operating decision makers examine the performance both from a product and geographic perspective and have identified five reportable segments.

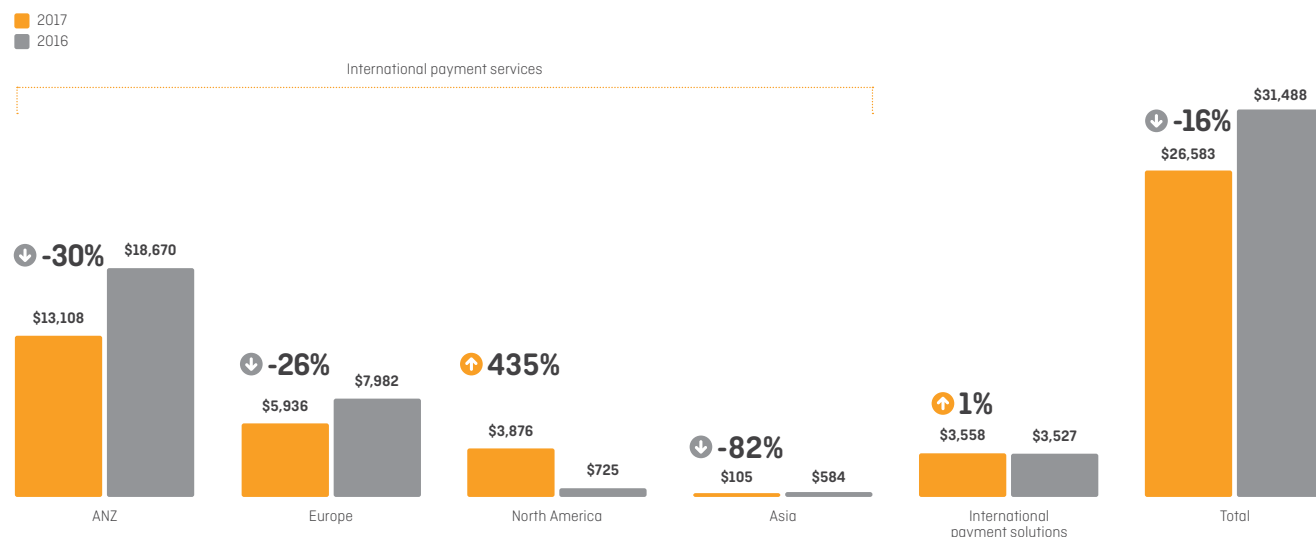
The two products are international payment services and international payment solutions:

- International payment services are monitored by geographic region (based on client location) and provide bank to bank currency transfers servicing businesses and consumers.
- International payment solutions are monitored globally and provide strategic partners with a package which includes: OFX Technology platform; client service; compliance sophistication; banking relationships; and payments capabilities.

#### Segment fee and trading income – 2017 v 2016 (\$'000)



#### Segment EBITDA – 2017 v 2016 (\$'000)





	2017 \$'000	2016 \$'000
<b>Group EBITDA</b>	26,583	31,488
Depreciation and amortisation	(3,765)	(1,357)
Interest and similar income	1,169	1,662
Net profit before income tax	23,987	31,793
Income tax expense	(4,391)	(9,979)
<b>Net profit</b>	19,596	21,814

	International payment services					Consolidated \$'000
	Australia & New Zealand \$'000	Europe \$'000	North America \$'000	Asia \$'000	International payment solutions \$'000	
<b>2017</b>						
<b>Segment assets</b>	133,185	21,915	30,823	11,772	-	197,695
Intergroup eliminations	(1,934)	(6,302)	-	-	-	(8,236)
Deferred tax assets						219
<b>Total assets</b>						189,678
<b>Segment liabilities</b>	(91,454)	(19,277)	(24,197)	(5,393)	-	(140,321)
Intergroup eliminations	3	-	5,559	2,674	-	8,236
Deferred tax liabilities						(120)
<b>Total liabilities</b>						(132,205)
<b>2016</b>						
<b>Segment assets</b>	155,138	18,379	29,344	7,456	-	210,317
Intergroup eliminations	-	(5,554)	-	(477)	-	(6,031)
Deferred tax assets						1,310
<b>Total assets</b>						205,596
<b>Segment liabilities</b>	(117,742)	(15,507)	(23,636)	(1,491)	-	(158,376)
Intergroup eliminations	814	-	5,217	-	-	6,031
Deferred tax liabilities						(22)
<b>Total liabilities</b>						(152,367)

## NOTES TO THE FINANCIAL STATEMENTS

### RESULTS FOR THE YEAR

For the year ended 31 March 2017

#### NOTE 2. REVENUE

##### FEE AND TRADING INCOME

Fee and trading income consists of the foreign currency transaction margins, fees charged on low-value transactions and changes in exchange rates between the time when a client rate is agreed and a subsequent hedge transaction is entered into by the Group.

Fee and trading income is presented inclusive of realised and unrealised income earned from the sale of foreign currency contracts to clients.

##### FEE AND COMMISSION EXPENSE

Fee and commission expenses are transactional banking fees and commissions paid to strategic and referral partners.

##### INTEREST INCOME

Interest income is recognised using the effective interest rate method, which spreads fees and costs associated with an interest bearing receivable across its life.

	2017 \$'000	2016 \$'000
Realised margin and fees on foreign exchange contracts	112,279	104,628
Unrealised gains/(losses) on foreign exchange contracts	[79]	6,376
Retranslation of foreign exchange assets and liabilities	1,863	242
Fee and trading income	114,063	111,246
Fee and commission expense	[10,117]	[8,995]
Net income	103,946	102,251
Interest and similar income	1,169	1,662
<b>Net operating income</b>	<b>105,115</b>	<b>103,913</b>

**NOTE 3. EXPENSES**

Refer to Note 23 for details of the Group's share-based payments and Note 16 for details of the employee provisions.

	2017 \$'000	2016 \$'000
<b>Employment expenses</b>		
Salaries and related costs including commissions <sup>1</sup>	(38,144)	(31,535)
Employee short term incentives	(35)	(1,058)
Share-based payments	229	(1,059)
Defined contribution plan	(2,250)	(1,769)
<b>Total employee compensation expense</b>	(40,200)	(35,421)
Other employment expenses (on-costs, recruitment and staff training)	(2,572)	(3,558)
<b>Total employment expenses</b>	(42,772)	(38,979)
<b>Occupancy expenses</b>		
Operating lease rentals	(2,988)	(2,606)
Depreciation: Furniture, fittings and leasehold	(1,325)	(613)
Other occupancy expenses	(1,103)	(636)
<b>Total occupancy expenses</b>	(5,416)	(3,855)
<b>Other operating expenses</b>		
Professional fees	(2,403)	(3,942)
Information technology	(4,794)	(2,172)
Depreciation and amortisation	(2,440)	(744)
Communication	(701)	(682)
Compliance	(2,158)	(1,824)
Insurance	(841)	(844)
Travel	(1,058)	(999)
Bad and doubtful debts	(484)	(1,091)
Non-recoverable GST	(285)	(446)
Other expenses	(1,473)	(1,236)
<b>Total other operating expenses</b>	(16,637)	(13,980)

1 Comparative information has been restated to conform with presentation in the current year.

## NOTES TO THE FINANCIAL STATEMENTS

### RESULTS FOR THE YEAR CONTINUED

For the year ended 31 March 2017

#### NOTE 4. INCOME TAXES

Income tax expense is the tax payable on the current period's taxable income adjusted for changes in deferred income tax. Changes in deferred tax assets and liabilities are due to temporary timing differences and to unused tax losses.

Current income tax is based on tax laws enacted or substantively enacted in each jurisdiction of the Group's operations at the end of the reporting period. If required, provisions are established for the amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method at the tax rates expected to apply when the assets are recovered or the liabilities are settled. Deferred tax assets and liabilities arise on temporary differences between the tax base of assets and liabilities and their carrying amounts. In addition, deferred tax assets may be recognised due to unused tax losses. Amounts are only recognised to the extent it is probable future taxable amounts will be available to use those temporary differences or tax losses.

Deferred tax assets and liabilities are offset when:

- There is a legally enforceable right to offset current tax assets and liabilities; and
- The deferred tax balances relate to the same taxation authority.

Current tax assets and liabilities are offset when:

- There is a legally enforceable right to offset; and
- There is an intention to settle on a net basis.

Current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

#### TAX CONSOLIDATION

The tax consolidation legislation was adopted by the Group as of 15 October 2013. As a consequence, OzForex Limited and its wholly-owned Australian controlled entities are taxed as a single entity. The Group has a tax year ending on 30 September.

#### OFFSHORE BANKING UNIT

OzForex Limited, a subsidiary of OFX Group Limited, was declared an Offshore Banking Unit (OBU) on 10 October 2015. In accordance with Australian income tax legislation, assessable offshore banking (OB) income derived by the OBU is taxable at a concessional rate of 10%. OB income includes revenue earned on foreign exchange transactions with offshore counterparties, excluding those with any AUD component.

#### (A) INCOME TAX EXPENSE

	2017 \$'000	2016 \$'000
Current tax expense <sup>1</sup>	3,782	7,363
Adjustments to current tax of prior years <sup>1,2</sup>	(580)	-
Total current tax expense	3,202	7,363
Deferred income tax expense	1,189	2,616
<b>Total income tax expense</b>	<b>4,391</b>	<b>9,979</b>

#### (B) RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	2017 \$'000	2016 \$'000
Net profit before income tax	23,987	31,793
Prima facie income tax expense at 30% (2016: 30%)	7,196	9,538
Decrease in tax expense as a result of operating as an OBU in the current period <sup>2</sup>	(1,060)	-
Decrease in tax expense as a result of operating as an OBU in a prior period <sup>2</sup>	(580)	-
Research and Development tax credits	(817)	-
Other items	(348)	441
<b>Total income tax expense</b>	<b>4,391</b>	<b>9,979</b>

1 Comparative information has been restated to conform with presentation in the current year.

2 The prior period tax adjustment reflected in the current year relates to OBU transactions within the period from 10 October 2015 to 31 March 2016. The current period tax adjustment relates to OBU transactions within the period from 1 April 2016 to 31 March 2017.

**NOTE 5. DEFERRED INCOME TAX ASSETS/(LIABILITIES)**

	2017 \$'000	2016 \$'000
<b>Deferred income tax assets</b>		
The balance comprises temporary differences attributable to:		
Provisions and accrued expenses	1,181	1,575
IPO expenditure deemed capital for taxation	1,043	1,739
Financial instruments	(2,005)	(2,004)
Total deferred income tax assets	219	1,310
Deferred income tax liabilities	(120)	(22)
<b>Net deferred income tax assets</b>	99	1,288

**NOTE 6. EARNINGS PER SHARE****EARNINGS PER SHARE**

Basic earnings per share shows the profit attributable to each ordinary share. It is calculated as the net profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in each year.

Diluted earnings per share shows the profit attributable to each ordinary share if all the dilutive potential ordinary shares had been ordinary shares.

There are no discontinued operations of the Group.

**(a) Earnings per share**

	2017 Cents	2016 Cents
Basic	8.17	9.09
Diluted	8.03	8.98

**(b) Earnings**

	\$'000	\$'000
Net profit attributable to ordinary shareholders used to calculate basic and diluted earnings per share	19,596	21,814

**(c) Weighted average number of shares**

	Number	Number
Weighted average number of ordinary shares used to calculate basic earnings per share	240,000,000	240,000,000
Dilutive potential ordinary shares	3,465,211	2,735,382
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	243,927,237	242,735,382

## NOTES TO THE FINANCIAL STATEMENTS

### FINANCIAL ASSETS AND LIABILITIES

For the year ended 31 March 2017

#### NOTE 7. CASH AND CASH EQUIVALENTS, CLIENT LIABILITIES, AND DEPOSITS DUE FROM FINANCIAL INSTITUTIONS

Cash and cash equivalents includes cash on hand, deposits held at short call with financial institutions with an original maturity of less than three months and cash held for subsequent settlement of client liabilities.

Cash held for subsequent settlement of client liabilities represent transactions in progress where amounts have been received but the corresponding payment has not yet occurred. They are unsecured and short term in nature, and are recognised initially at their fair value. Client liabilities are subsequently measured at amortised cost using the effective interest method.

Cash assets and client liabilities are intrinsically linked. When a client makes a request to transfer funds internationally, the Group agrees the foreign exchange rate at which those funds will be delivered to the client in their chosen currency and the client transfers money to the Group. During such time until funds are settled with the client, the Group is exposed to the risks and rewards of those cash assets. Consequently, the Group recognises those cash assets on its Consolidated Statement of Financial Position and a corresponding liability to remit that cash to clients.

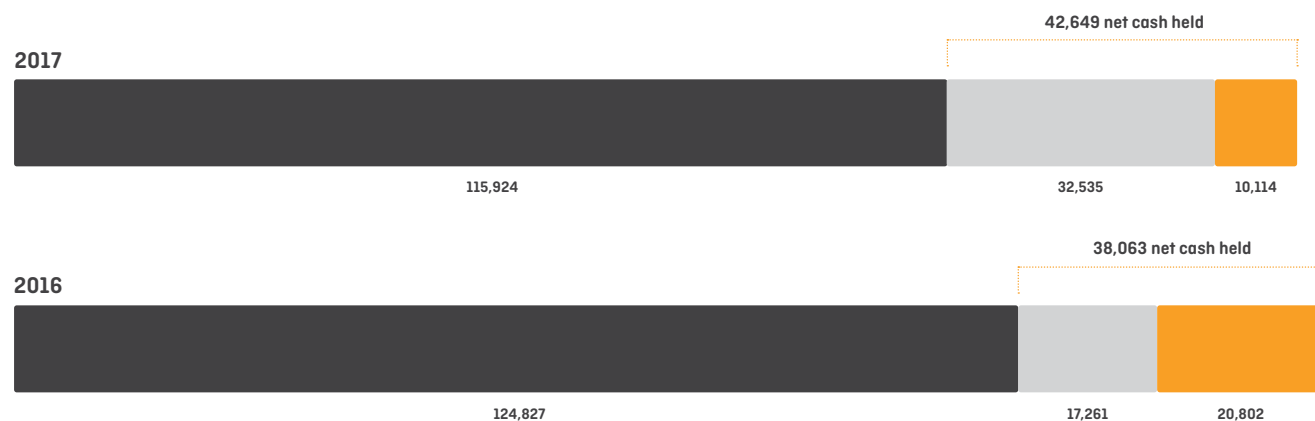
Deposits due from financial institutions are primarily short-term deposits with an original maturity of greater than three months, but less than 12 months and are accounted for at the gross value of the outstanding balance and held at amortised cost.

	2017 \$'000	2016 \$'000
Cash and cash equivalents	148,459	142,088
Deposits due from financial institutions	10,114	20,802
<b>Total cash</b>	<b>158,573</b>	<b>162,890</b>
Cash held for subsequent settlement of client liabilities	(115,924)	(124,827)
<b>Net cash held<sup>1</sup></b>	<b>42,649</b>	<b>38,063</b>

<sup>1</sup> Includes \$21,413,469 [2016: \$14,612,000] which is held as collateral by counterparties for over the counter derivative transactions.

#### NET CASH POSITION (\$'000)

■ Cash held for payment of client liabilities  
■ Other cash held  
■ Term deposits



### NOTE 8. OTHER RECEIVABLES (CURRENT ASSETS)

Other receivables includes GST receivables and other debtors. Other debtors includes rental deposits and interest receivable. All receivables are recognised at amortised cost, less any impairment. Interest is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

	2017 \$'000	2016 \$'000
GST receivables	474	384
Other debtors	689	602
<b>Other receivables</b>	<b>1,163</b>	<b>986</b>

### NOTE 9. DERIVATIVE FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

Derivative instruments entered into by the Group include foreign exchange forward contracts. They are principally used to offset foreign currency contracts with clients and as hedges over the Group's net investment in foreign operations.

Derivatives are initially and subsequently recognised at fair value. Movements in the carrying amounts of derivatives are recognised in net fee and trading income within the Consolidated Statement of Comprehensive Income.

	2017 \$'000	2016 \$'000
Value of forward contracts – assets	14,154	26,977
Value of forward contracts – liabilities	(7,351)	(20,297)
<b>Net financial instruments at fair value</b>	<b>6,803</b>	<b>6,680</b>

### NOTE 10. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

A financial instrument's categorisation within the valuation hierarchy is based on the lowest level input that is significant to the fair value measurement:

Level	Instruments	Valuation process
Level 1 – Traded in active markets and fair value is based on recent unadjusted quoted prices.	Cash and cash equivalents, amounts due from financial institutions, client liabilities, creditors and receivables.	These instruments are held at amortised cost. Fair values are considered to equate to their carrying amounts as they are short term in nature.
Level 2 – Not actively traded and fair value is based on valuation techniques which maximise the use of observable market prices.	Over the counter derivatives.	Foreign currency forward contract valuations are based on observable spot exchange rates and the yield curves of the respective currencies.
Level 3 – Not actively traded and fair value is based on at least one input which is not observable in the market due to illiquidity or complexity.	None – the Group does not hold any of these instruments.	Not applicable.

All derivative financial instruments held by the Group at fair value are categorised within Level 2.

## NOTES TO THE FINANCIAL STATEMENTS

### FINANCIAL ASSETS AND LIABILITIES CONTINUED

For the year ended 31 March 2017

#### NOTE 11. FINANCIAL RISK MANAGEMENT

##### RISK MANAGEMENT

The Group is exposed to the following risks, and manages them in the following ways:

Type of risk	How the risk is managed
<p><b>Market risk</b> – Market risk is comprised of both foreign currency risk and interest rate risk.</p> <p>Foreign exchange rate risk arises from exposure to changes in foreign exchange rates between the time of agreeing rates with a client and either a corresponding hedge being taken out with a counterparty or an international payment settlement. Settlement typically occurs between 12 and 24 hours after the deal is entered or up to 12 months later for forward contracts with clients.</p> <p>The Group is also exposed to the interest rate risk embedded in forward contracts offered to its clients to lock in exchange rates up to 24 months in advance.</p>	<p>To manage the movement in foreign exchange rates, the Group aggregates transactions and nets out buy transactions against sell transactions.</p> <p>The Group then enters into forward foreign exchange hedging contracts with counterparty banks once exposure to a single currency reaches or exceeds a defined thresholds.</p> <p>The forward book is managed daily and maintained within thresholds prescribed by board approved policy.</p>
<p><b>Interest rate risk</b> – Exposure to non-traded interest rate risk results from cash and term deposits held in different currencies.</p>	<p>Settlement of client liabilities between 12 and 24 hours of receipt of client cash results in low exposure to non-traded interest rate risk.</p>
<p><b>Credit risk</b> – The risk that creditors (financial institutions and clients) will not make payments on their related receivables, when they fall due.</p>	<p>The Group typically does not pay out client deals until associated funds have been received.</p> <p>In exceptional circumstances, senior management have the discretion to authorise same day payments, which can result in funds being paid prior to clearance of customer funds. These transactions would only be approved for clients with a low risk of default and are pro-actively monitored to ensure timely settlement.</p> <p>For forward deals part payments are required to be made by clients. Active monitoring of client balances ensures that adequate collateral is held.</p> <p>The Group sets credit limits and obtains collateral as security (where appropriate).</p>
<p><b>Liquidity risk</b> – The risk that the Group is unable to meet the obligations of its financial liabilities when they are due.</p>	<p>Regular forecasts of the Group's liquidity requirements. Surplus cash is maintained in highly liquid instruments.</p> <p>Continuous review of currency requirements in operating jurisdictions. Active maintenance of cash balances in currencies and geographical locations necessary to fund these requirements.</p>

Risk is managed on a globally consolidated basis for the Group. Risks in subsidiaries are subject to the same risk acceptance policies as the parent entity.



## MARKET RISK

The main component of the Group's market risk is exposure to foreign exchange fluctuations.

The Group's sensitivity to foreign exchange fluctuations by major currency held on the Consolidated Statement of Financial Position is shown below.

Movement in exchange rate (basis points)	31 March 2017		31 March 2016 <sup>1</sup>	
	+/-500	+/-500	+/-500	+/-500
	Sensitivity of profit before tax \$'000	Sensitivity of equity after tax \$'000	Sensitivity of profit before tax \$'000	Sensitivity of equity after tax \$'000
CAD	-	3	(5)	2
EUR	24	36	(6)	5
GBP	83	32	(37)	(49)
NZD	(1)	4	(3)	8
SGD	2	(3)	2	(2)
USD	(58)	(113)	50	(30)
Other	15	79	29	40
<b>Total</b>	<b>65</b>	<b>38</b>	<b>30</b>	<b>(26)</b>

1 Comparative information has been restated to conform with presentation in the current year. In the prior year the sensitivity was performed using 1,000 basis points. 500 basis points is a more reasonable measure in the current environment.

## INTEREST RATE RISK

The Group's sensitivity to movements in interest rates is as follows.

Movement in interest rates (basis points)	31 March 2017		31 March 2016	
	+/-50	+/-50	+/-50	+/-50
	Sensitivity of profit before tax \$'000	Sensitivity of equity after tax \$'000	Sensitivity of profit before tax \$'000	Sensitivity of equity after tax \$'000
AUD	356	252	368	261
CAD	33	25	33	25
EUR	42	32	31	24
GBP	60	43	53	38
NZD	55	39	143	102
SGD	6	4	9	6
USD	141	91	129	84
Other	100	77	48	36
<b>Total</b>	<b>793</b>	<b>563</b>	<b>814</b>	<b>576</b>

## NOTES TO THE FINANCIAL STATEMENTS

### FINANCIAL ASSETS AND LIABILITIES CONTINUED

For the year ended 31 March 2017

#### NOTE 11. FINANCIAL RISK MANAGEMENT CONTINUED

##### CREDIT RISK

##### Maximum exposure to credit risk and credit quality of financial assets

The amounts shown represent the maximum credit risk of the Group's assets. In all cases this is equal to the carrying value of the assets.

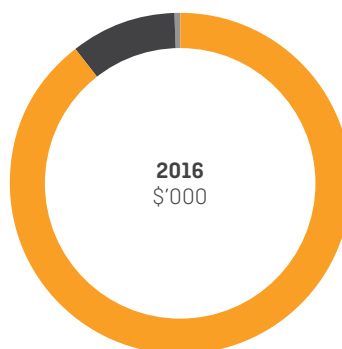
The Group uses internal credit ratings to manage the credit quality of its financial assets held with clients. The Group's financial assets held with financial institutions are investment grade (between Aaa-Baa3). There are no balances that are past due or impaired as at 31 March 2017 (2016: Nil).

	Rating	2017 \$'000	2016 \$'000
Cash and cash equivalents	Investment grade	148,459	142,088
Deposits due from financial institutions	Investment grade	10,114	20,802
Derivative assets – with financial institutions	Investment grade	7,251	8,063
Derivative assets – with clients	Unrated <sup>1</sup>	6,903	18,914
Other receivables	Unrated	1,163	986
<b>Total gross credit risk</b>		<b>173,890</b>	<b>190,853</b>

##### Credit risk exposure

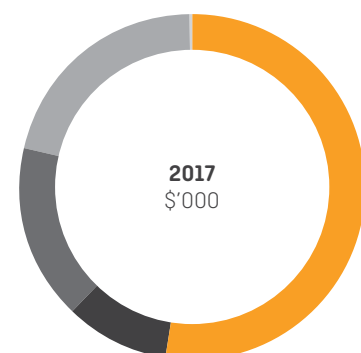


Financial Institutions	Investment grade	\$165,824
Customers		\$6,903
Other receivables	Unrated	\$1,163

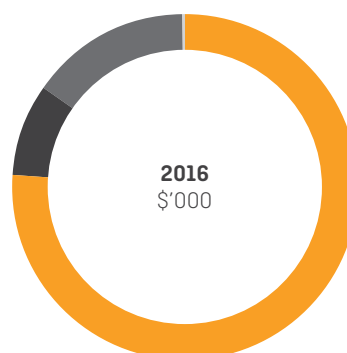


Financial Institutions	Investment grade	\$170,953
Customers		\$18,914
Other receivables	Unrated	\$986

##### Credit risk exposure by geography



ANZ	\$91,667
Asia	\$16,553
Europe	\$28,562
North America	\$37,033
Other	\$75



ANZ	\$117,531
Asia	\$13,552
Europe	\$23,164
North America <sup>2</sup>	\$36,577
Other <sup>2</sup>	\$29

<sup>1</sup> Unrated balances relate to amounts due from entities that are not graded by a public ratings agency.

<sup>2</sup> Comparative information has been restated to conform to presentation in the current year.

**LIQUIDITY RISK****Maturity profile of obligations**

The table below summarises the maturity profile of the Group's financial liabilities as at 31 March 2017 based on contractual undiscounted repayment cash flows. Derivatives are included in the less than three months column at their fair value, as they are frequently settled in the short term. Liquidity risk on these items is not managed on the basis of contractual maturity, since they are not held for settlement according to such maturity and will frequently be settled in the short term at fair value. Derivatives designated in a hedging relationship are included according to their contractual maturity.

	On demand \$'000	3 months or less \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>2016</b>						
Other liabilities <sup>1</sup>	(1,210)	(127,163)	-	(315)	-	(128,688)
Derivative financial instruments						
Inflows	-	876,846	360,641	1,323	-	1,238,810
[Outflows]	-	(874,488)	(356,425)	(1,217)	-	(1,232,130)
<b>Total</b>	(1,210)	(124,805)	4,216	(209)	-	(122,008)
<b>2017</b>						
Other liabilities <sup>1</sup>	(1,534)	(118,541)	-	(349)	-	(120,424)
Derivative financial instruments						
Inflows	-	802,641	352,402	6,344	-	1,161,387
[Outflows]	-	(791,098)	(357,000)	(6,488)	-	(1,154,586)
<b>Total</b>	(1,534)	(106,998)	(4,598)	(493)	-	(113,623)

1 Excludes items that are not financial instruments and non-contractual accruals and provisions.

**NOTE 12. CASH FLOW INFORMATION**

	2017 \$'000	2016 \$'000
<b>Reconciliation of profit from ordinary activities after income tax to net cash flows from operating activities</b>		
Profit from ordinary activities after income tax	19,596	21,814
Adjustments to profit from ordinary activities		
Depreciation and amortisation	3,765	1,357
Share-based payments expense	(1,034)	1,059
Foreign exchange revaluation	(2,031)	229
Fair value changes on financial assets and liabilities at fair value through profit or loss	(123)	(6,713)
Movement in foreign currency translation reserve	(65)	(33)
Changes in assets and liabilities		
Decrease/(increase) in debtors and prepayments	(363)	(119)
Decrease in deferred tax assets	1,091	2,609
[Decrease]/increase in client liabilities	(8,903)	236
[Decrease]/increase in accrued charges and creditors	2,293	492
[Decrease]/increase in deferred tax liabilities	98	7
[Decrease]/increase in employee provisions	(704)	(532)
Decrease/(increase) in tax provision	(293)	(4,631)
<b>Net cash flows from operating activities</b>	<b>13,327</b>	<b>15,775</b>

## NOTES TO THE FINANCIAL STATEMENTS

### OTHER ASSETS AND LIABILITIES

For the year ended 31 March 2017

#### NOTE 13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Assets are depreciated on a straight-line basis over their estimated useful lives, as follows:

Asset class	Useful life
Furniture and fittings	5 to 10 years
Leasehold improvements	Up to 5 years
Computer equipment	3 years

	Furniture, fittings and leasehold improvements \$'000	Computer equipment \$'000	Total \$'000
<b>Year ended 31 March 2016</b>			
Cost	7,319	2,769	10,088
Less accumulated depreciation	(1,738)	(1,838)	(3,576)
<b>Net carrying amount</b>	<b>5,581</b>	<b>931</b>	<b>6,512</b>
<b>Movement</b>			
Balance at 31 March 2015	529	485	1,014
Additions	5,665	825	6,490
Depreciation	(613)	(379)	(992)
<b>Balance at 31 March 2016</b>	<b>5,581</b>	<b>931</b>	<b>6,512</b>
<b>Year ended 31 March 2017</b>			
Cost	7,459	3,451	10,910
Less accumulated depreciation	(3,063)	(2,374)	(5,437)
<b>Net carrying amount</b>	<b>4,396</b>	<b>1,077</b>	<b>5,473</b>
<b>Movement</b>			
Balance at 31 March 2016	5,581	931	6,512
Additions	140	681	821
Depreciation	(1,325)	(535)	(1,860)
<b>Balance at 31 March 2017</b>	<b>4,396</b>	<b>1,077</b>	<b>5,473</b>

**NOTE 14. INTANGIBLE ASSETS**

Costs directly incurred in acquiring and developing certain software are capitalised and amortised over the estimated useful life, typically three years. Costs incurred on software maintenance are expensed as incurred.

	Website and mobile application \$'000	Software \$'000	Total \$'000
<b>Year ended 31 March 2016</b>			
Cost	2,519	1,116	3,635
Less accumulated depreciation	[212]	[663]	[875]
<b>Net carrying amount</b>	<b>2,307</b>	<b>453</b>	<b>2,760</b>
<b>Movement</b>			
Balance at 31 March 2015	-	198	198
Additions	2,519	408	2,927
Amortisation	[212]	[153]	[365]
<b>Balance at 31 March 2016</b>	<b>2,307</b>	<b>453</b>	<b>2,760</b>
<b>Year ended 31 March 2017</b>			
Cost	5,908	2,328	8,236
Less accumulated depreciation	[1,748]	[1,032]	[2,780]
<b>Net carrying amount</b>	<b>4,160</b>	<b>1,296</b>	<b>5,456</b>
<b>Movement</b>			
Balance at 31 March 2016	2,307	453	2,760
Additions	3,389	1,212	4,601
Amortisation	[1,536]	[369]	[1,905]
<b>Balance at 31 March 2017</b>	<b>4,160</b>	<b>1,296</b>	<b>5,456</b>

**NOTE 15. OTHER LIABILITIES (CURRENT LIABILITIES)**

	2017 \$'000	2016 \$'000
Accrued charges and sundry liabilities	4,430	3,382
Trade creditors	1,130	51
Other liabilities	1,487	1,321
<b>Total other liabilities</b>	<b>7,047</b>	<b>4,754</b>

## NOTES TO THE FINANCIAL STATEMENTS

### OTHER ASSETS AND LIABILITIES CONTINUED

For the year ended 31 March 2017

#### NOTE 16. EMPLOYEE PROVISIONS

The Group has two employee short term incentive plans which are accrued as a liability and expensed over the annual service period until they are paid:

- The short term incentive plan for Executives and selected employees which is based on annual Key Performance Indicators (KPIs) and comprises 15 per cent to 50 per cent of their Total Reward Remuneration (TRR).
- The staff profit share scheme for all other staff which is based on the Group's earnings before tax growth and the individual employee's performance.

When the long service leave is not expected to be settled within 12 months of year end, the liabilities are measured as the present value of expected future payments using the projected unit credit method.

	Annual leave \$'000	Employee short term incentives \$'000	Long service leave \$'000	Total \$'000
Carrying amount at beginning of the period	1,175	964	328	2,467
Additional provisions made	2,226	1,048	135	2,361
Release of provisions	(1,973)	(2,012)	(128)	(3,065)
<b>Carrying amount at the end of the period</b>	<b>1,428</b>	<b>-</b>	<b>335</b>	<b>1,763</b>

All employee provisions are current liabilities apart from \$229,000 (2016: \$293,000) of long service leave which is non-current.

#### NOTE 17. OPERATING LEASE COMMITMENTS

The Group leases offices under non-cancellable operating leases expiring within one to seven years. The leases have various escalation and extension clauses. The Group has no other commitments.

	2017 \$'000	2016 \$'000
Within one year	2,754	2,479
Between one and five years	7,665	8,129
After more than five years	1,407	2,739
<b>Total operating lease commitments</b>	<b>11,826</b>	<b>13,347</b>

## NOTES TO THE FINANCIAL STATEMENTS

### CAPITAL STRUCTURE

For the year ended 31 March 2017

#### NOTE 18. CAPITAL MANAGEMENT

The Group's capital management strategy is to maximise shareholder value by optimising the level and use of capital, defined as share capital plus reserves. The Group's capital management objectives are to:

- Support the Group's business and operational requirements.
- Meet externally imposed capital requirements.
- Safeguard the Group's ability to continue as a going concern.

The Group has continued to meet its internal and externally imposed capital requirements this year and no breaches have occurred.

#### NOTE 19. ORDINARY SHARE CAPITAL

Ordinary shares are classified as equity and measured based on the proceeds from issuing the shares less the directly attributable incremental costs, net of tax.

There are 240,000,000 fully paid ordinary shares (2016: 240,000,000). Ordinary shares entitle the holder to vote and to receive dividends and the proceeds of the company if it is liquidated in proportion to the number of shares held.

There are 1,933,218 (2016: nil) restricted ordinary shares issued to KMP in connection with the ESL Plan. Refer to Note 23 for further information.

#### NOTE 20. DIVIDENDS

Dividends are recognised as a liability and a reduction to retained earnings when declared. All dividends recognised in the year were fully franked (2016: all).

	2017 \$'000	2016 \$'000
Final dividend from the preceding year \$0.03100 (2016: \$0.03584) per share	(7,440)	(8,602)
Interim dividend \$0.02800 (2016: \$0.03600) per share	(6,720)	(8,640)
Dividend withholding tax	(93)	-
<b>Total dividends recognised and paid</b>	<b>(14,253)</b>	<b>(17,242)</b>

On 22 May 2017, the Board determined a dividend of \$0.029 per share (\$6,960,187) as the final dividend for 2017. This dividend was determined after 31 March 2017 and so is not reflected in this financial report. As the Company is a holding company with no trading profits, this dividend will be funded through the profits of the subsidiaries.

Ex-dividend date	8 June 2017
Record date	9 June 2017
Payment date	23 June 2017

	2017 \$'000	2016 \$'000
<b>Franked dividends</b>		
Franking credits available for subsequent financial years based on a tax rate of 30% (2016: 30%)	6,972	8,122

The above amounts represent the balance of the franking account as at the end of the financial period, adjusted for the franking credits that will arise from paying the current tax liability, but before taking account of the final declared dividend for 2017.

#### NOTE 21. EVENTS OCCURRING AFTER BALANCE SHEET DATE

Other than the dividends presented in Note 20, there were no other material post balance sheet events occurring after the reporting date requiring disclosure in these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### OTHER ITEMS

For the year ended 31 March 2017

#### NOTE 22. RELATED PARTY INFORMATION

##### SUBSIDIARIES

The following entities are wholly owned subsidiaries of the Group and all have a 31 March year end:

Entity	Country of Incorporation	Functional currency
CanadianForex Limited	Canada	CAD
OzForex (HK) Limited	Hong Kong	HKD
OzForex Limited	Australia	AUD
OFX Australia Pty Limited	Australia	AUD
OFX Group Pty Limited	Australia	AUD
OFX (SNG) PTE. Limited	Singapore	SGD
NZForex Limited	New Zealand	NZD
UKForex Limited	United Kingdom	GBP
USForex Incorporated	United States	USD

#### NOTE 23. SHARE-BASED PAYMENTS

The Group has two employee share-based payment plans, the Executive Share Plan (ESP) and the Legacy LTI plan, which are both equity-settled. The nature of the issuances under the plans are listed below:

Issuance	Description
Share loan	Executives are provided with an interest free, non-recourse loan from the Group for the sole purpose of acquiring shares in the Company. Employees may not deal with the shares while the loan remains outstanding and any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan. Employees are entitled to exercise the voting rights attached to the shares from the date of allocation. If the Executive leaves the Group within the vesting period the shares allocated are returned to the Group, subject to discretion retained by the Directors. Vesting of the loan is subject to performance hurdles.
Performance rights	Performance rights are issued to reward employees, including Executives, based on the Group's performance. The performance rights vest based on performance hurdles as set by the Board at the time of issuance. Performance rights are granted for no cost and are settled in shares on a one-for-one basis.
Service rights	Service rights are issued to employees at the discretion of the Board. The service rights vesting condition is ongoing employment at the vesting date. There are no performance hurdles. Service rights are granted for no cost and are settled in shares on a one-for-one basis.
Share options	Share options are issued at the discretion of the Board. Share options vesting condition is ongoing employment at the vesting date. There are no performance hurdles. Share options are subject to an exercise price and are settled in shares on a one-for-one basis.

For details on the vesting conditions of share issuances, refer to page 34 and 35 in the Remuneration Report.

	2017 \$	2016 <sup>1</sup> \$
ESP – Share loan	258,167	-
Legacy LTI Plan – Performance rights	(888,290)	774,752
Legacy LTI Plan – Service rights	382,638	241,963
Legacy LTI Plan – Share options	18,484	42,587
<b>Total share-based payment expense</b>	<b>(229,001)</b>	<b>1,059,302</b>

1 Comparative period information has been changed to conform with current year presentation.



## ACCOUNTING FOR SHARE-BASED PAYMENTS

The fair value determined at the grant date of the award is recognised as a share-based payment expense in the income statement with an offsetting increase in equity over the relevant performance period. The expense recognised is reduced to take account of the expense attributable to participating employees who do not remain in the employment of the Group throughout the vesting period, or if less awards vest than anticipated.

### ESP

The ESP has been established to incentivise Executives to generate shareholder wealth. Detailed remuneration disclosures are provided in the Remuneration Report section of the Directors' Report.

The Board has implemented a gateway level of minimum performance for the ESP below which no benefit accrues, being a Board determined EPS CAGR on a constant currency basis over a three, four and five-year period. Calculated from the 31 March preceding the grant date. The gateway for the unvested plans is 15% for the 2016 award. This gateway is the minimum level of acceptable performance for any of the ESP shares to vest.

Where the gateway EPS level of performance is met, there is a target measure for two performance hurdles, NOI CAGR on a constant currency basis (with a 50% weighting) and EPS CAGR on a constant currency basis (with a 50% weighting). The Board has discretion to forgive part of the loan repayment.

Shares issued/allocated under the ESP are accounted for as options and as such the amounts receivable from employees in relation to these loans are not recognised in the financial statements. Settlement of share loans upon vesting are recognised as contributed equity.

The options are externally measured at fair value at the date of grant using the Black-Scholes option pricing model. This valuation model generates possible future share prices based on similar assumptions that underpin relevant option pricing models to calculate the fair value (as at grant date) of options granted.

Executives have two years from the vesting date to repay the loan and therefore exercise the options.

The assumptions underlying the options' valuations issued during the year are outlined in the table below.

Performance period (years)	Vesting date	Grant date share price	Fair value per options at grant date	Dividend yield	Risk free interest rate	Share price volatility
3	7 June 2019	\$2.13	\$0.70	3.00%	1.80%	35%
4	7 June 2020	\$2.13	\$0.77	3.00%	1.87%	35%
5	7 June 2021	\$2.13	\$0.84	3.00%	1.94%	35%

## LEGACY LTI PLAN

### Performance rights

The performance rights issued under the Legacy LTI plan during the year have performance conditions listed below.

There were no cancellations during 2017.

Issuance date	EPS CAGR Gateway	Vesting Level (NOI CAGR)			Performance Period (Years)	Performance Period end date
		100%	25%-100%	0%		
14 Jun 16	≥ 15%	< 26%	15%-26%	≥ 15%	3	31 March 2019

The fair value of the performance rights issued during the year was determined using an option pricing model with the following inputs:

Grant date	Vesting date	Grant date share price	Fair value	Volatility	Dividend yield	Risk free rate
14 Jun 16	7 June 19	\$2.13	\$1.94	35.0%	3.0%	1.8%

Modifications were made to certain performance rights during the year. Refer to page 31 in the Remuneration Report for further information.

### Service rights

Service rights issued in the 2017 financial year relate to a one-off allocation as part of the initial employment arrangements of an employee. The only vesting condition is ongoing employment at the vesting date. The service rights had a fair value of \$1.67 at grant date using the VWAP for the five days prior and including grant date.

### Share options

There were no share options issued during the year ended 31 March 2017.

**NOTES TO THE FINANCIAL STATEMENTS****OTHER ITEMS CONTINUED**

For the year ended 31 March 2017

**NOTE 23. SHARE-BASED PAYMENTS CONTINUED****SHARE-BASED PAYMENTS OUTSTANDING**

	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year
Legacy LTI Plan – Performance rights	2,135,396	273,767	(124,642)	(736,519)	1,548,002
Legacy LTI Plan – Service rights	372,356	130,700	(244,169)	(18,063)	240,824
Legacy LTI Plan – Share options <sup>1</sup>	400,000	–	–	(194,807)	205,193
ESP – Share loan	–	3,455,895	–	(1,522,677)	1,933,218

1 The weighted average exercise price is \$2.49. The weighted average remaining contractual life is 1.67 years.

**NOTE 24. KEY MANAGEMENT PERSONNEL**

In accordance with the requirements of AASB 124 *Related Party Disclosures*, the KMP include Non-Executive Directors and members of the Group Executive Team who have authority and responsibility for planning, directing and controlling the activities of OFX Group Limited. A summary of KMP compensation is set out in the table below.

**KEY MANAGEMENT PERSONNEL REMUNERATION**

Remuneration	2017 \$	2016 \$
Short-term employee benefits	2,194,078	2,489,683
Post-employment benefits	175,197	172,213
Termination payments	714,729	162,821
Long-term employee benefits	10,266	19,829
Share-based payments	296,014	390,941
<b>Total remuneration paid to key management personnel</b>	<b>3,390,284</b>	<b>3,235,487</b>

Detailed remuneration disclosures of individual KMP are provided in the Remuneration Report.

**SHARE HOLDINGS**

The total number of shares in the Company held during the year by the Directors and other key management personnel, including their personal related parties, are set out below.

	2017 Number	2016 Number
Number of options and rights for fully paid ordinary shares	970,734	1,238,467
Number of fully paid ordinary shares	572,500	582,500
Number of restricted ordinary shares	1,933,218	–

**OUTSTANDING LOANS**

The total loan amount outstanding from KMP in relation to the ESP is \$4,068,404.

**OTHER TRANSACTIONS WITH KMP**

All transactions with KMP are made on normal commercial terms and conditions and in the ordinary course of business. There were no transactions during the financial year nor balances owing to or from KMP as at 31 March 2017.

In the normal course of business, the Group occasionally enters into transactions with various entities that have Directors in common with the Group. Transactions with these entities are made on commercial arm's length terms and conditions. The relevant Directors do not participate in any decisions regarding these transactions.

**NOTE 25. REMUNERATION OF AUDITORS**

	2017 \$	2016 \$
<b>(a) PwC Australia</b>		
Audit and review of financial statements	364,353	303,847
Taxation services	135,318	148,006
Other professional fees	55,960	-
Due diligence services	-	29,675
<b>Total remuneration of PwC Australia</b>	<b>555,631</b>	<b>481,528</b>
<b>(b) Non-PwC auditors</b>		
Audit and review of financial reports	32,992	33,480
<b>Total remuneration of non-PwC auditors</b>	<b>32,992</b>	<b>33,480</b>

**NOTE 26. PARENT ENTITY FINANCIAL INFORMATION**

Dividends are recognised as income when the Company becomes entitled to the dividend.

The ultimate parent entity is OFX Group Limited.

	2017 \$'000	2016 \$'000
<b>Summary financial information</b>		
<b>Statement of Financial Position</b>		
Investment in subsidiaries	25,624	26,658
<b>Total assets</b>	<b>25,624</b>	<b>26,658<sup>1</sup></b>
Share-based payments reserve	1,264	2,298
Ordinary share capital	24,360	24,360
<b>Total equity</b>	<b>25,624</b>	<b>26,658<sup>1</sup></b>
<b>Profit or loss for the year (intercompany dividends received)</b>	<b>14,253</b>	<b>17,242</b>
<b>Total comprehensive income</b>	<b>14,253</b>	<b>17,242</b>
<b>Earnings per share attributable to ordinary shareholders:</b>	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	5.94	7.18
Diluted earnings per share	5.84	7.10

1 Comparative information has been restated to conform to presentation in the current year.

**NOTES TO THE FINANCIAL STATEMENTS****OTHER ITEMS CONTINUED**

For the year ended 31 March 2017

**NOTE 27. OTHER ACCOUNTING POLICIES****NEW ACCOUNTING STANDARDS**

No new Accounting Standards or amendments to Accounting Standards became effective in the current year and had a material impact on the Group.

**AMENDMENTS TO ACCOUNTING STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE**

The following standards, amendments to standards and interpretations are relevant to current operations. They are available for early adoption but have not been applied by the Group in this financial report.

The effects of the following standards are expected to be material:

Reference	Description	Application of Standard	Application by Group
AASB 16 <i>Leases</i>	AASB 16 sets out the principles for leases for both lessees and lessors. For lessees, the distinction between operating and finance leases has been removed and so almost all leases will be brought on balance sheet.  Accordingly, from 1 April 2018, commitments for operating leases disclosed in Note 19 will be recognised on the Consolidated Statement of Financial Position.	1 April 2019	1 April 2019

Based on a preliminary analysis, the effects of the following standards are not expected to be material:

Reference	Description	Application of Standard	Application by Group
AASB 15 <i>Revenue from Contracts with Customers</i>	AASB 15 is based on the principle that revenue is recognised when control transfers to a client – so the principle of control replaces the existing principle of risks and rewards.	1 April 2018	1 April 2018
AASB 9 <i>Financial Instruments</i>	AASB 9 will replace AASB 139 Financial Instruments and primarily changes the accounting for: <ul style="list-style-type: none"> <li>Classification and measurement: Determined based on the business model for holding, and the cash flows of, financial assets. Financial assets can only be held at amortised cost if there is a business model to collect the contractual cash flows of the asset and those cash flows represent payments which are solely principal and interest. All other financial assets are measured at fair value.</li> <li>Hedge accounting: More closely aligned with financial risk management, and may be applied to a greater variety of hedging instruments and risks.</li> <li>Impairment of financial assets: Expected credit losses are recognised, taking into account the weighted probability of forward-looking information, which includes macro-economic factors.</li> </ul>	1 April 2018	1 April 2018

## DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes for the year ended 31 March 2017 are in accordance with the *Corporations Act 2001*, including;

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirement, and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 31 March 2017 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that OFX Group Limited will be able to pay its debts as and when they become due and payable, and

(c) Note 1(i) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer function required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Board:



**Steven Sargent**  
Chairman



**John (Skander) Malcolm**  
Chief Executive Officer and Managing Director  
23 May 2017

## INDEPENDENT AUDITOR'S REPORT

To the members of OFX Group Limited



### *Independent auditor's report*

To the shareholders of OFX Group Limited

#### *Report on the audit of the financial report*

##### *Our opinion*

In our opinion:

The accompanying financial report of OFX Group Limited and its controlled entities (together, the Group) is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 31 March 2017 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

##### **What we have audited**

The financial report comprises:

- the consolidated statement of financial position as at 31 March 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the notes to the consolidated financial statements, which include a summary of significant accounting policies; and
- the directors' declaration.

##### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Independence**

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

**PricewaterhouseCoopers, ABN 52 780 433 757**

One International Towers Sydney, Watermans Quay, Barangaroo NSW 2000,  
GPO BOX 2650 Sydney NSW 2001

T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

### Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group comprises multiple legal entities globally including OzForex Limited, NZForex Limited, UKForex Limited, USForex Incorporated, CanadianForex Limited and OzForex (HK) Limited. Most of the Group's accounting systems are centralised in the head office located in Sydney, where our audit was predominately carried out. We ensured that the audit team included the appropriate skills and competencies needed for the audit. This included tax specialists and experts in the valuation of derivative financial instruments.



<i>Materiality</i>	<i>Audit scope</i>	<i>Key audit matters</i>
<ul style="list-style-type: none"> <li>For the purposes of our audit we used as overall Group materiality of \$1.19 million, which represents approximately 5% of the Group's profit before tax.</li> <li>We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</li> <li>We chose Group profit before tax because, in our view, it is the key financial statement metric used in assessing the performance of the Group and is not as volatile as other profit and loss measures. We selected 5% based on professional judgement, noting it is within the range of commonly accepted thresholds.</li> </ul>	<ul style="list-style-type: none"> <li>Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li> <li>Our overall approach considered each legal entity's contribution to Group financial report balances.</li> <li>Additional audit procedures were performed over the consolidation process.</li> </ul>	<ul style="list-style-type: none"> <li>Amongst other relevant topics, we communicated the following key audit matters to the Audit and Committee: <ul style="list-style-type: none"> <li>Recognition of fee and trading income</li> <li>Existence of cash and cash equivalents</li> <li>Client liabilities</li> <li>Valuation of derivatives</li> <li>Taxation</li> </ul> </li> <li>These are further described in the <i>Key audit matters</i> section of our report.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of OFX Group Limited

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
------------------	--

#### Recognition of fee and trading income

Fee and trading income consists of the margin generated from foreign currency spreads, fees charged on low-value transactions and changes in exchange rates between the time when a client rate is agreed and a subsequent hedge transaction is entered by the Group. Fee and trading income is presented inclusive of realised and unrealised income earned from sale of foreign currency contracts to customers.

This was a key audit matter because it represents the most significant revenue element in the consolidated statement of comprehensive income.

See note 2 of the financial report for further information.

Our audit procedures included, among others, evaluating the design and performing tests over the operating effectiveness of relevant key revenue controls, including reconciliation controls between the transaction recording system, general ledger and bank statements.

In addition, we have:

- Performed data analytic techniques over fee and trading income and recalculated a sample of transactions using independently obtained foreign exchange rates;
- Compared individual transactions recognised throughout the financial year to underlying deal tickets and bank statements on a sample basis;
- Tested material reconciling items in cash account reconciliations at 31 March 2017;
- Performed cut off testing over fee and trading income recognised during and after the reporting period by comparing individual transactions to underlying deal tickets and bank statements from each period on a sample basis;
- Examined supporting documentation for a sample of manual journals related to fee and trading income.

#### Existence of cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at short call with financial institutions with an original maturity of less than 3 months, and cash held for subsequent settlement of client liabilities.

As at 31 March 2017, approximately 73% of this balance represented cash held for subsequent settlement of client liabilities where cash from clients had been received but corresponding cash payments to nominated accounts had not yet occurred.

This was a key audit matter due to the size of the cash balance which represents over 70% of the Group's total assets and the inherent importance of cash to a business involved in money transfer.

See note 7 of the financial report for further information.

Our testing of the cash and cash equivalents balance included an assessment of the design and tests of the operating effectiveness of key reconciliation controls between the transaction recording system, bank statements and the general ledger.

In relation to the balance as at 31 March 2017, we:

- Obtained confirmations directly from banks of the outstanding balances as at the year-end date for 103 of 169 bank accounts and performed alternative procedures such as obtaining bank statements over the remainder;
- Compared the cash amounts recognised to the independently obtained confirmations and/or bank statements;
- Tested all bank reconciliations and investigated material reconciling items;
- Compared the foreign exchange rates used for the translation of foreign-currency denominated cash accounts at year-end to independently sourced exchange rates.

#### Client liabilities

The customer liabilities balance consists of cash receipts received from customers in relation to foreign exchange transactions, which await settlement. There are amounts within the balance that have been static for an extended period of time and they comprise part payments awaiting full payment prior to remittance and/or unidentified clients.

Our testing of client liabilities included an assessment of the design and testing of the operating effectiveness of key reconciliation controls between the transaction recording system, bank statements and the general ledger.

In addition, we:

- Checked a sample of customer liabilities to individual deal tickets and cash receipts;



**Key audit matter**

This was a key audit matter due to the size of client liabilities which represents 88% of the Group's total liabilities and the inherent uncertainties associated with the static transactions.

See note 7 of the financial report for further information.

**How our audit addressed the key audit matter**

- Considered the post year-end settlement rates of the total balance between 1 April 2017 and 30 April 2017;
- Assessed the customer complaints log to identify significant matters raised concerning client liabilities;
- Performed scanning analytics on the breakdown of customer liabilities at 31 March 2017 to consider the age profile of unallocated customer liabilities.

**Valuation of derivatives**

Derivative instruments entered into by the Group include spot and forward foreign exchange transactions in the foreign exchange markets.

This was a key audit matter due to the inherent judgment and estimation involved in the valuation of these derivatives.

See notes 9, 10 and 11 of the financial report for further information.

In relation to the valuations as at 31 March 2017, we:

- Checked whether the valuation methodology applied by the Group was consistent with the prior year;
- Compared the valuations of all derivative instruments held at balance date to our own independently derived valuations. This involved sourcing independent inputs from market data providers.

**Taxation**

The Group is liable for tax in a number of jurisdictions, and in some cases, the final tax treatment is uncertain until resolved with the relevant tax authority. Consequently, the Group has made judgements about the incidence and quantum of tax exposures and liabilities which are subject to the future outcome of assessments by relevant tax authorities and potentially associated legal processes.

In addition, the OzForex Limited, a subsidiary of OFX Group Limited, was declared an Offshore Banking Unit (OBU) meaning assessable offshore banking impact was subject to a concessional tax rate of 10%. The subsidiary is also eligible for Research and Development tax credits (R&D Credits) on eligible expenditure which further reduces the tax expense. Adjustments were made during the financial year to estimate the amount of these concessional credits, however because the relevant tax claims are filed in arrears, the exact amount of the claims are not known with certainty.

See note 4 of the financial report for further information.

Our procedures over taxation related balances included evaluating the analysis conducted by the Group for judgements made in respect of the ultimate amounts expected to be paid to tax authorities. This was made in the context of our understanding of the business, engaging tax specialists where necessary, and assessing the appropriateness of the tax provisions under Australian Accounting Standards.

In relation to the OBU transactions, we involved our tax specialists to consider the Group's OBU arrangements and tested the classification of OBU and non-OBU transactions on a sample basis against guidance provided in tax legislation.

In relation to R&D Credits we have involved our tax specialists to review and assess the projects that are eligible for concessional treatment.

**Other information**

The directors are responsible for the other information. The other information comprises What we do, Our Services, Our Opportunities & Focus, Our People, Financial Highlights, the Chairman's Letter, the CEO's Letter, Executive Team, the Director's Report, Shareholder Information and Corporate Information included in the Group's annual report for the year ended 31 March 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

## INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of OFX Group Limited

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the directors for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### *Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf). This description forms part of our auditor's report.

## *Report on the remuneration report*

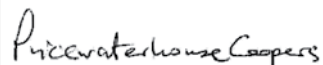
### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 24 to 38 of the directors' report for the year ended 31 March 2017.

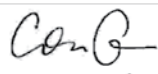
In our opinion, the remuneration report of OFX Group Limited for the year ended 31 March 2017 complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



PricewaterhouseCoopers



CPG Cooper  
Partner

Sydney  
23 May 2017

## SHAREHOLDER INFORMATION

The shareholder information set out below is current as at 30 April 2017.

### CORPORATE GOVERNANCE STATEMENT

In accordance with ASX Listing Rule 4.10.3, the Company's 2017 Corporate Governance Statement can be found on its website at [www.ofx.com.au/investors/corporate-governance](http://www.ofx.com.au/investors/corporate-governance).

### DISTRIBUTION OF SHAREHOLDERS AS AT 30 APRIL 2017

Number of shares	Total holders of ordinary shares	Number of ordinary shares	% of Issued Capital
1-1,000	1,333	810,772	0.34
1,001-5,000	3,483	10,334,970	4.30
5,001-10,000	1,906	15,096,649	6.29
10,001-100,000	2,075	52,121,218	21.72
100,001-999,999,999	97	161,636,391	67.35
<b>Total</b>	<b>8,894</b>	<b>240,000,000</b>	<b>100.00</b>

There were 299 holders of less than a marketable parcel of ordinary shares, based on a market price of \$1.44 at the close of trading on 30 April 2017.

### TWENTY LARGEST SECURITY HOLDERS OF ORDINARY SHARES AS AT 30 APRIL 2017

Rank	Name	Units	% of Units
1.	J P MORGAN NOMINEES AUSTRALIA LIMITED	44,432,808	18.51
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	33,215,215	13.84
3.	NATIONAL NOMINEES LIMITED	12,397,146	5.17
4.	G AND A LORD PTY LTD <THE LORD FAMILY A/C>	9,400,000	3.92
5.	MR MATTHEW GILMOUR	9,245,200	3.85
6.	MICROEQUITIES ASSET MANAGEMENT PTY LTD <MICROEQUITIES NANOCAP 8 A/C>	8,142,069	3.39
7.	CITICORP NOMINEES PTY LIMITED	6,672,963	2.78
8.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	6,216,916	2.59
9.	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	4,886,764	2.04
10.	BNP PARIBAS NOMS PTY LTD <DRP>	3,047,994	1.27
11.	MIRRABOOKA INVESTMENTS LIMITED	2,200,000	0.92
12.	BOND STREET CUSTODIANS LIMITED <RSALTE - D44396 A/C>	1,623,598	0.68
13.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,435,203	0.60
14.	AMCIL LIMITED	1,200,000	0.50
15.	M & J GILMOUR PTY LTD	1,023,848	0.43
16.	DJERRIWARRH INVESTMENTS LIMITED	736,763	0.31
17.	MR JOHN LETCHER HOCKING + MRS JEANNETTE ANNE HOCKING <H&J ADMIN NO 2 S/FUND A/C>	585,000	0.24
18.	S M & R W BROWN PTY LTD <ROBERT & SALLY BROWN SF A/C>	550,000	0.23
19.	CITICORP NOMINEES PTY LIMITED <CITIBANK NY ADR DEP A/C>	437,725	0.18
20.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	432,031	0.18
<b>Totals: top 20 holders of fully paid ordinary shares</b>		<b>147,881,243</b>	<b>61.62</b>
<b>Total remaining holders balance</b>		<b>92,118,757</b>	<b>38.38</b>

## SHAREHOLDER INFORMATION CONTINUED

### UNQUOTED EQUITY SECURITIES AS AT 31 MARCH 2017

Shares issued under the OFX Group Long Term Incentive Plan and the Executive Share Plan which, subject to vesting conditions, entitle the holder to ordinary shares:

	Number held	Number of holders
Performance rights	1,548,002	12
Service rights	240,824	3
Share options	2,138,411	4

### SUBSTANTIAL SHAREHOLDERS

Substantial shareholders (holding not less than 5%) as shown in substantial shareholder notices received by the Company pursuant to Section 671B of the *Corporations Act 2001* as at 30 April 2017 are shown below.

	Number held	% of issued capital
Microequities	20,931,883	8.72%
Northcape Capital Pty Ltd	17,452,746	7.27%
BT Investment Management Limited	16,043,799	6.68%
Westpac Banking Corporation	15,591,602	6.50%
Renaissance Smaller Companies Pty Ltd	13,223,857	5.51%

### VOTING RIGHTS

The voting rights are governed by clause 37 of the Company's Constitution which provides that every member present personally or by proxy, attorney or representative shall on a show of hands have one vote and on a poll shall have one vote for every share held.

### ORDINARY SHARES

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### PERFORMANCE RIGHTS

There are no voting rights attached to performance rights issued under the OFX Group Long Term Incentive Plan.

### BUYBACK

There is no current on-market buyback.

## CORPORATE INFORMATION

Directors	Mr Steven Sargent (Chairman) Mr Skander Malcolm (Chief Executive Officer and Managing Director) Ms Melinda Conrad Mr Grant Murdoch Mr Douglas Snedden
Company Secretary	Ms Freya Smith
Notice of Annual General Meeting	Wednesday 2 August 2017 at 2pm Establishment Hotel 252 George Street Sydney, NSW 2000 Australia
Principal registered office in Australia	Level 19 60 Margaret Street Sydney, NSW 2000 Australia Ph +61 2 8667 8000 Fax +61 2 8667 8080 Email <a href="mailto:investors@ofx.com.au">investors@ofx.com.au</a>
Share register	Computershare Registry Services Pty Limited 60 Carrington Street Sydney, NSW 2000 Australia Ph +61 3 9415 4000 Ph 1300 850 505 (Australian shareholders)
Auditor	PricewaterhouseCoopers One International Towers Sydney Watermans Quay Barangaroo, NSW 2000 Australia
Stock Exchange Listing	OFX Group shares are listed on the Australian Securities Exchange: OFX
Website address	<a href="http://www.ofx.com">www.ofx.com</a>



[WWW.OFX.COM](http://WWW.OFX.COM)